

ANNUAL BUDGET OF
UMSOBOMVU
MUNICIPALITY

2012/13 TO 2014/15

**MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS**

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Abbreviations and Acronyms

AMR	Automated Meter Reading	ℓ	litre
ASGISA	Accelerated and Shared Growth Initiative	LED	Local Economic Development
BPC	Budget Planning Committee	MEC	Member of the Executive Committee
CBD	Central Business District	MFMA	Municipal Financial Management Act Programme
CFO	Chief Financial Officer	MIG	Municipal Infrastructure Grant
CM	Municipality Manager	MMC	Member of Mayoral Committee
CPI	Consumer Price Index	MPRA	Municipal Properties Rates Act
CRRF	Capital Replacement Reserve Fund	MSA	Municipal Systems Act
DBSA	Development Bank of South Africa	MTEF	Medium-term Expenditure Framework
DoRA	Division of Revenue Act	MTREF	Medium-term Revenue and Expenditure Framework
DWA	Department of Water Affairs	NERSA	National Electricity Regulator South Africa
EE	Employment Equity	NGO	Non-Governmental organisations
EEDSM	Energy Efficiency Demand Side Management	NKPIs	National Key Performance Indicators
EM	Executive Mayor	OHS	Occupational Health and Safety
FBS	Free basic services	OP	Operational Plan
GAMAP	Generally Accepted Municipal Accounting Practice	PBO	Public Benefit Organisations
GDP	Gross domestic product	PHC	Provincial Health Care
GDS	Gauteng Growth and Development Strategy	PMS	Performance Management System
GFS	Government Financial Statistics	PPE	Property Plant and Equipment
GRAP	General Recognised Accounting Practice	PPP	Public Private Partnership
HR	Human Resources	PTIS	Public Transport Infrastructure System
HSRC	Human Science Research Council	RG	Restructuring Grant
IDP	Integrated Development Strategy	RSC	Regional Services Council
IT	Information Technology	SALGA	South African Local Government Association
kl	kilolitre	SAPS	South African Police Service
km	kilometre	SDBIP	Service Delivery Budget Implementation Plan
KPA	Key Performance Area	SMME	Small Micro and Medium Enterprises
KPI	Key Performance Indicator		
kWh	kilowatt		

Part 1 – Annual Budget

1.1 Mayor's Report

In his Budget Speech to Parliament on 22 February 2012, the Minister of Finance said: Our new story, our period of transition, is about building modern infrastructure, a vibrant economy, a decent quality of life for all, reduced poverty, decent employment opportunities. It is a story that must be written by all of us. Not just by government. Not just by business. Not just by unions. By all of us, South Africans from all corners of our country. The legacy of our past is not only that of difficulty and despair. We can draw pride from the celebration of the ANC's centenary, and build on this past to get things done today. The idea of unity in action, working together to realise practical goals, must be revived. The idea of an active citizenry, drawn into motion by dedicated activists and inspired by a compelling vision of the future, has to be renewed.

Management within local government has a significant role to play in strengthening the link between the citizen and government's overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within the Umsobomvu Municipality. Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The challenge is to do more with the available resources. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that sustainable municipal services are provided economically and equitably to all communities.

1.2 Council Resolutions

On 30 March 2012 the Council of Umsobomvu Municipality Local Municipality met in the Council Chambers of Umsobomvu Municipality to consider the draft annual budget of the municipality for the financial year 2012/13. The Council approved and adopted the following resolutions:

1. The Council of Umsobomvu Municipality Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

- 1.1. The annual budget of the municipality for the financial year 2012/13 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 18 on page 24;
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 19 on page 26;
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 21 on page 28; and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 22 on page 30.
- 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
 - 1.2.1. Budgeted Financial Position as contained in Table 23 on page 32;
 - 1.2.2. Budgeted Cash Flows as contained in Table 24 on page 34;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 25 on page 34;
 - 1.2.4. Asset management as contained in Table 26 on page 36; and
 - 1.2.5. Basic service delivery measurement as contained in Table 27 on page 38.
2. The Council of Umsobomvu Municipality Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2012:
 - 2.1. the tariffs for property rates – as set out in Annexure A,
 - 2.2. the tariffs for electricity – as set out in Annexure B
 - 2.3. the tariffs for the supply of water – as set out in Annexure C
 - 2.4. the tariffs for sanitation services – as set out in Annexure E
 - 2.5. the tariffs for solid waste services – as set out in Annexure F
3. The Council of Umsobomvu Municipality Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2012 the tariffs for other services, as set out in Annexure G1 to G21 respectively.
4. To give proper effect to the municipality's annual budget, the Council of Umsobomvu Municipality Local Municipality approves:
 - 4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items. This has resulted in savings to the municipality of nearly R.393 million or 1.8 percent of the current financial year's adjusted budget. Key areas where savings were realized were on telephone and internet usage, printing, workshops, accommodation, and catering.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 58 and 59 were used to guide the compilation of the 2012/13 MTREF.

The main challenges experienced during the compilation of the 2012/13 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained water, roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk water and electricity (due to tariff increases Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2012/13 MTREF process; and
- Availability of affordable capital/borrowing.

The following budget principles and guidelines directly informed the compilation of the 2012/13 MTREF:

- The 2011/12 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2012/13 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk

water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;

- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2012/13 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2012/13 MTREF

R Thousand	Adjustment Budget 2011/2012	Budget Year 2012/2013	Budget Year +1 2013/2014	Budget Year +2 2014/2015
Total Operating Revenue	72 989	79 850 926	85 151 000	90 815 000
Total Operating Expenditure	72 988	79 529 657	84 696 000	91 010 000
(Surplus)/Deficit for the year	1	321 269	455 000	-195 000
Total Capital Expenditure	70 499 000	61 857 450	47 302 000	54 129 000

Total operating revenue has grown by 9.4 per cent or R6.72million for the 2012/13 financial year when compared to the 2011/12 Adjustments Budget. For the two outer years, operational revenue will increase by 6.8 and 6.65 per cent respectively, equating to a total revenue growth of R17.83 million over the MTREF when compared to the 2011/12 financial year.

Total operating expenditure for the 2012/13 financial year has been appropriated at R14.6 million and translates into a budgeted surplus of R321 269. When compared to the 2011/12 Adjustments Budget, operational expenditure has grown by 9 per cent in the 2012/13 budget and by 6.5 and 7.5 per cent for each of the respective outer years of the MTREF. The operating surplus for the two outer years increases to R455 000 and then results in a deficit of R195 000. These surpluses will be used to fund to relieve tariff hikes especially on electricity.

The capital budget of R61.857 million for 2012/13 is 12.25 per cent less when compared to the 2011/12 Adjustment Budget. The reduction is due to various projects being finalised in the previous financial year as well as affordability constraints in the light of current economic circumstances. The capital programme decreases to R47.3 million in the 2013/14 financial year and then increases with 14.4 per cent in 2014/15 to R54.13 million. All capital over the MTREF will be financed by Grants from National and Provincial government. Note that the Municipality has reached its prudential borrowing limits and so there is very little scope to substantially increase these borrowing levels over the medium-term. The repayment of capital and interest (debt services costs) has remained the same and will continue over the next five years due to new loans taken up in the past year, as a result of the need to replace specialised vehicles needed to meet the increased demand in services to be delivered. Consequently, the capital budget remains relatively flat over the medium-term.

1.4 Operating Revenue Framework

For Umsobomvu Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

The following table is a summary of the 2012/13 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand									
Revenue By Source									
Property rates	3 146	3 581	3 820	–	3 916	3 916	4 152	4 363	4 586
Property rates - penalties & collection charges					359	359	300	315	331
Service charges - electricity revenue	9 120	12 942	15 857	–	17 962	17 962	19 865	21 238	22 901
Service charges - water revenue	5 426	7 344	8 381	–	7 688	7 688	8 103	8 516	8 951
Service charges - sanitation revenue	4 295	4 821	5 010	–	5 395	5 395	5 712	6 003	6 310
Service charges - refuse revenue	3 216	3 955	4 190	–	4 376	4 376	4 639	4 889	5 138
Service charges - other					230	230	370	329	647
Rental of facilities and equipment					69	69	57	60	63
Interest earned - external investments					18	18	18	189	19
Interest earned - outstanding debtors					1 406	1 406	1 200	1 138	1 074
Dividends received									
Fines					1 877	1 877	1 891	1 987	2 089
Licences and permits					248	248	420	442	464
Agency services									
Transfers recognised - operational					29 445	29 445	32 979	35 681	38 242
Other revenue	–	447	2 516	–	–	–	–	–	–
Gains on disposal of PPE									
Total Revenue (excluding capital transfers and contributions)	25 203	33 090	39 774	–	72 989	72 989	79 706	85 150	90 815

Table 3 Percentage growth in revenue by main revenue source

Description	2012/13 Medium Term Revenue & Expenditure Framework					
	Budget Year 2012/13	%	Budget Year +1 2013/14	%	Budget Year +2 2014/15	%
Revenue By Source						
Property rates	4 152	5.20%	4 363	5.14%	4 586	5.08%
Property rates - penalties & collection charges	300	0.38%	315	0.37%	331	0.37%
Service charges - electricity revenue	19 865	24.88%	21 057	24.78%	22 320	24.74%
Service charges - water revenue	8 103	10.15%	8 516	10.02%	8 951	9.92%
Service charges - sanitation revenue	5 712	7.15%	6 003	7.07%	6 310	6.99%
Service charges - refuse revenue	4 639	5.81%	4 894	5.76%	5 323	5.90%
Service charges - other	252	0.32%	412	0.48%	376	0.42%
Rental of facilities and equipment	174	0.22%	142	0.17%	149	0.17%
Interest earned - external investments	18	0.02%	19	0.02%	19	0.02%
Interest earned - outstanding debtors	1 200	1.50%	1 138	1.34%	1 074	1.19%
Dividends received				0.00%		0.00%
Fines	1 891	2.37%	1 987	2.34%	2 089	2.32%
Licences and permits	421	0.53%	442	0.52%	464	0.51%
Agency services				0.00%		0.00%
Transfers recognised - operational	33 124	41.48%	35 681	41.99%	38 242	42.38%
Other revenue	-		-		-	
Gains on disposal of PPE						
Total Revenue (excluding capital transfers and contributions)	79 851		84 970		90 234	

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise more than half of the total revenue mix. In the 2011/12 financial year, revenue from rates and services charges totalled R39.9 million or 54.9 per cent. This increases to R43.1 million, R45.7 million and R48.86 million in the respective financial years of the MTREF. . The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Details in this regard are contained in Table 64 MBRR SA1 (see page 99).

Property rates is the smallest revenue source from services totalling 5 per cent or R4.15 million rand and increases to R4.59 million by 2014/15. The smallest source is 'other revenue' which consists of various items such as income received from permits and licenses, building plan fees, connection fees, transport fees and advertisement fees. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R33.1 million in the 2012/13 financial year and steadily increases to R38.2 million by 2014/15. Note that the year-on-year growth for the 2012/13 financial year is 12 per cent and then flattens out to 6.4 and 6.2 per cent in the two outer years. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Operating Transfers and Grant Receipts

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand										
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		15 854	21 315	26 076	29 466	29 466	29 466	31 164	33 472	35 753
Local Government Equitable Share		14 057	18 948	23 637	26 638	26 638	26 638	28 074	30 067	32 298
Finance Management		250	1 005	1 200	1 450	1 450	1 450	1 500	1 750	1 750
Municipal Systems Improvement		735	1 049	750	790	790	790	800	900	950
Water Services Operating Subsidy										
MiG PMU		812	314	489	588	588	588	790	755	755
Provincial Government:		–	646	350	389	389	389	715	770	832
Library			646	350	389	389	389	715	770	832
District Municipality:		–	–	–	–	–	–	–	–	–
[insert description]										
Other grant providers:		–	–	–	–	–	–	1 245	–	–
Councillor remuneration								1 245		
Total Operating Transfers and Grants	5	15 854	21 961	26 426	29 855	29 855	29 855	33 124	34 242	36 585

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of Eskom bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). ;
- 20 per cent rebate will be granted on all state owned properties
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;
- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 50 per cent (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not to exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year. In this regard the following stipulations are relevant:

- The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependants without income;
 - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
 - The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
 - The property must be categorized as residential.
- The Municipality may award a 100 per cent grant-in-aid on the assessment rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2012/13 financial year based on a 10 per cent increase from 1 July 2012 is contained below:

Table 5 Comparison of proposed rates to be levied for the 2012/13 financial y

Category	Current Tariff (1 July 2011)	Proposed tariff (from 1 July 2012)
	c	C
Residential properties	0.0106	.0109
State owned properties	.0163	.0176
Business & Commercial	.0122	.0128
Agricultural	.0026	.0027

1.4.2 Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

In addition National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective by 2014.

Better maintenance of infrastructure, new dam construction and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability.

A tariff increase of 6 per cent from 1 July 2012 for water is proposed. This is based on input cost of inputs increasing by 6 per cent. In addition 6 kℓ water per 30-day period will again be granted free of charge to all residents.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

Table 6 Proposed Water Tariffs

CATEGORY	CURRENT TARIFFS 2011/12	PROPOSED TARIFFS 2012/13
	Rand per kℓ	Rand per kℓ
RESIDENTIAL		
(i) 0 to 6 kℓ per 30-day period	3.71	3.86
(ii) 7 to 20 kℓ per 30-day period	4.44	4.66
(iii) 21 to 30 kℓ per 30-day period	5.65	5.99
(iv) 30+	7.32	7.91
NON-RESIDENTIAL		
(i) 0 – 60 kℓ per 30-day period	2.25	5.67
(ii) 60+kℓ per 30-day period	7.05	7.61

The following table shows the impact of the proposed increases in water tariffs on the water charges for a single dwelling-house:

Table 7 Comparison between current water charges and increases (Domestic)

Monthly consumption kℓ	Current amount payable R	Proposed amount payable R	Difference (Increase) R	Percentage change
20	84.42	88.40	3.98	4.71%
30	128.82	135.00	6.18	4.79%
40	213.90	227.40	13.50	6.31%

The tariff structure of the 2012/13 financial year has not been changed. The tariff structure is designed to charge higher levels of consumption a higher rate, steadily increasing to a rate of R7.91 per kilolitre for consumption in excess of 30kℓ per 30 day period.

1.4.3 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. A 13.5 per cent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2012.

Considering the Eskom increases, the consumer tariff had to be increased by an averaged 11.3 per cent to offset the additional bulk purchase cost from 1 July 2012. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity.

Registered indigents will again be granted 50 kWh per 30-day period free of charge

The following table shows the impact of the proposed increases in electricity tariffs on the electricity charges for domestic customers:

Table 8 Comparison between current electricity charges and increases (Domestic)

Monthly consumption kWh	Current amount payable R	Proposed amount payable R	Difference (Increase) R	Percentage change
100	66.00	74.00	8.00.	12.1%
250	171.00	197.00	16.00	15.2%
500	416.00	469.50	53.5	12.8%
750	688.00	772.00	84.00	12.2%
1 000	978.00	1094.50	116.50	11.9%
2 000	2138.00	2384.50	246.50	11.5%

It should further be noted that NERSA has advised that a stepped tariff structure needs to be implemented from 1 July 2011. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor). The Municipality has entered into discussions with NERSA regarding the suitability of the NERSA proposed stepped tariffs compared to those already being implemented by the Municipality already. Until the discussions are concluded, the Municipality will maintain the current stepped structure of its electricity tariffs.

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the Municipality. Most of the suburbs and inner Municipality reticulation network was designed or strengthened in the early 1980's with an expected 20-25 year life-expectancy. The upgrading of the Municipality's electricity network has therefore become a strategic priority, especially the substations and transmission lines.

Owing to the high increases in Eskom's bulk tariffs, it is clearly not possible to fund these necessary upgrades through increases in the municipal electricity tariff – as the resultant tariff increases would be unaffordable for the consumers. It is therefore proposed that the taking up of loans as a strategy for funding of the infrastructure be considered and approved to spread the burden over the life span of the assets. As part of the 2012/13 medium-term capital programme, funding has been allocated to electricity infrastructure but these funding levels will require further investigation as part of the next budget cycle in an attempt to source more funding to ensure this risk is mitigated.

1.4.4 Sanitation and Impact of Tariff Increases

A tariff increase of 5 per cent for sanitation from 1 July 2012 is proposed. This is based on the input cost assumptions related to water. It should be noted that electricity costs contributes approximately 20 per cent of waste water treatment input costs, therefore the higher than CPI increase of 11 per cent for sanitation tariffs. The following factors also contribute to the proposed tariff increase:

- Sanitation charges are calculated according to the type of consumer and the level of service provided as indicated in the table below;
 - Free sanitation will be applicable to registered indigents; and
- The total revenue expected to be generated from rendering this service amounts to R4.8 million for the 2012/13 financial year.

The following table compares the current and proposed tariffs:

Table 9 Comparison between current sanitation charges and increases

CATEGORY	CURRENT TARIFF 2011/12		PROPOSED TARIFF 2012/13	
	Frequency	TARIFF PER	Frequency	TARIFF PER
		R		R
Domestic – conservancy tanks	Monthly Extraction	54.15	Monthly Extraction	56.86
Additional exctraction	Per Occurrence	57.40	Per Occurrence	60.27
Bussiness conservancy tanks	Monthly Extraction	78.64	Monthly Extraction	78.64
Garages	Monthly	144.94	Monthly	144.94
Hospitals	Monthly	257.7	Monthly	273.16
Domestic - connected	Monthly	72.3	Monthly	75.92
Bussiness - connected	Monthly	92.83	Monthly	92.83

The following table shows the impact of the proposed increases in sanitation tariffs on the sanitation charges for a single dwelling-house:

Table 10 Comparison between current sanitation charges and increases, single dwelling- houses

Monthly sanitation Level of service	Current amount payable R	Proposed amount payable R	Difference (11% increase) R
Domestic – conservancy tanks	54.15	56.86	5%
Domestic - connected	72.3	75.92	5%

1.4.5 Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a small surplus. The main contributors to expenditure are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration.

A 5 per cent increase in the waste removal tariff is proposed from 1 July 2012. Higher increases will not be viable in 2012/13 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services. Any increase higher than 5 per cent would be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt.

The following table compares current and proposed amounts payable from 1 July 2011:

Table 11 Comparison between current waste removal fees and increases

	CURRENT TARIFFS 2010/11			PROPOSED TARIFFS 2011/12		
		WASTE REMOVAL	MUNICIPAL ITY CLEANING		WASTE REMOVAL	MUNICIPAL ITY CLEANING
Domestic - monthly	1 bin	Per month (R) 55.01		1 bin	Per month (R) 57.76	
Additional bin per month		18.74			18.74	
Bussiness		78.46			78.46	
Garden Refuse Households			5.54		5.82	

1.4.6 Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

Note that in all instances the overall impact of the tariff increases on household's bills has been kept to between 6 and 8.9 per cent and 4 per cent for indigents.

NC072 Umsobomvu - Supporting Table SA14 Household bills

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13 % incr.	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Rand/cent											
Monthly Account for Household - 'Middle Income Range'	1										
Rates and services charges:											
Property rates		570.83	570.83	570.83	605.08	605.08	605.08	2.8%	622.21	653.32	692.52
Electricity: Basic levy		44.24	47.56	49.94	52.44	52.44	52.44	2.8%	55.58	58.36	61.86
Electricity: Consumption		482.00	646.00	760.00	946.50	946.50	946.50	4.2%	1 081.00	1 135.05	1 203.15
Water: Basic levy		46.19	49.65	51.14	52.67	52.67	52.67	5.0%	55.30	58.07	61.55
Water: Consumption		79.68	130.82	135.34	140.92	140.92	140.92	5.2%	148.30	155.72	165.06
Sanitation		60.42	64.96	68.20	72.30	72.30	72.30	5.0%	75.92	79.72	84.50
Refuse removal		46.87	50.39	51.90	55.01	55.01	55.01	5.0%	57.76	60.65	64.29
Other											
sub-total		1 330.23	1 560.21	1 687.35	1 924.92	1 924.92	1 924.92	8.9%	2 096.07	2 200.89	2 332.93
VAT on Services											
Total large household bill:		1 330.23	1 560.21	1 687.35	1 924.92	1 924.92	1 924.92	8.9%	2 096.07	2 200.89	2 332.93
% increase/-decrease			17.3%	8.1%	14.1%	-	-	8.9%	5.0%	6.0%	
Monthly Account for Household - 'Affordable Range'	2										
Rates and services charges:											
Property rates		59.03	58.33	60.07	428.42	428.42	428.42	2.8%	440.54	462.57	490.32
Electricity: Basic levy		44.24	47.56	49.94	49.94	49.94	49.94	2.8%	55.58	58.36	61.86
Electricity: Consumption		240.03	321.70	378.48	402.00	402.00	402.00	13.4%	456.00	478.80	507.53
Water: Basic levy		46.19	49.65	51.14	52.67	51.14	51.14	5.0%	55.30	58.07	61.55
Water: Consumption		63.08	105.17	108.41	112.67	112.67	112.67	5.0%	118.35	124.27	131.72
Sanitation		60.42	64.96	68.20	68.20	68.20	68.20	5.0%	75.92	79.72	84.50
Refuse removal		46.87	50.39	51.90	51.90	51.90	51.90	5.0%	57.76	60.65	64.29
Other											
sub-total		559.86	697.76	768.14	1 165.80	1 164.27	1 164.27	8.0%	1 259.45	1 322.44	1 401.77
VAT on Services											
Total small household bill:		559.86	697.76	768.14	1 165.80	1 164.27	1 164.27	8.0%	1 259.45	1 322.44	1 401.77
% increase/-decrease			24.6%	10.1%	51.8%	(0.1%)	-	8.2%	5.0%	6.0%	
Monthly Account for Household - 'Indigent' Household receiving free basic services	3										
Rates and services charges:											
Property rates					251.75	251.75	251.75	2.8%	258.88	271.82	288.13
Electricity: Basic levy											
Electricity: Consumption											
Water: Basic levy					52.67	52.67	52.67	5.0%	55.30	58.07	61.55
Water: Consumption					90.41	90.41	90.41	5.0%	95.19	99.95	105.95
Sanitation					72.30	72.30	72.30	5.3%	75.92	79.72	84.50
Refuse removal					55.01	55.01	55.01	5.0%	57.76	60.65	64.29
Other								5.0%			
sub-total		-	-	-	522.14	522.14	522.14	4.0%	543.05	570.21	604.42
VAT on Services			Included								
Total small household bill:		-	-	-	522.14	522.14	522.14	4.0%	543.05	570.21	604.42
% increase/-decrease			-	-	-	-	-	4.0%	5.0%	6.0%	

1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2011/12 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plans no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2012/13 budget and MTREF (classified per main type of operating expenditure):

Table 12 Summary of operating expenditure by standard classification item

NC072 Umsobomvu - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand	1									
Expenditure By Type										
Employee related costs	2	18 340	20 876	23 887	27 148	27 483	27 483	30 516	32 240	33 959
Remuneration of councillors			2 119	2 457				2 330	2 447	2 569
Debt impairment	3									
Depreciation & asset impairment	2	19 111	32 675	33 421	4 704	6 104	6 104	3 657	3 835	4 132
Finance charges		271	319	187	1 283	2 176	2 176			
Bulk purchases	2	7 318	8 404	11 011	15 927	13 398	13 398	15 196	17 231	19 539
Other materials	8	(12 367)	15 671							
Contracted services		337	475	673	611	611	611	652	686	721
Transfers and grants		—	—	2 826	—	—	—	—	—	—
Other expenditure	4, 5	15 007	13 776	17 071	22 543	23 213	23 213	27 178	28 259	29 584
Loss on disposal of PPE										
Total Expenditure		48 017	94 316	91 533	72 216	72 986	72 986	79 530	84 697	90 504

The budgeted allocation for employee related costs for the 2012/13 financial year totals R30.5 million, which equals 38.4 per cent of the total operating expenditure. Based on the three year collective SALGBC agreement which expires at the end of the current financial year, salary

increases have been factored into this budget at a percentage increase of 7.5 per cent for the 2012/13 financial year. An annual increase of 7.5 per cent has been included in the two outer years of the MTREF. As part of the Municipality's cost reprioritization and cash management strategy vacancies have been significantly rationalized downwards. As part of the planning assumptions and interventions all vacancies were originally removed from the budget and a report was compiled by the Corporate Services Department relating to the prioritization of critical vacancies within the Municipality. The outcome of this exercise was the inclusion of R2.78 million in the 2012/13 financial year relating to critical and strategically important vacancies. In addition expenditure against overtime was significantly reduced, with provisions against this budget item only being provided for emergency services and other critical functions.

The fact that a settlement has not been reached by the SALGBC parties in the salary dispute resulted in a uncertainty on this area of expenditure. A preliminary amount of R3 million has been included in the 2012/13 MTREF. It should be noted that the total financial implication could not be determined as the applicable municipal wage curve (representing equal pay for equal work at all municipalities in South Africa) has not been finalised.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

The provision of debt impairment was determined based on an annual collection rate of 85 per cent and the Debt Write-off Policy of the Municipality. For the 2012/13 financial year this amount equates to R3.8 million and escalates to R4.2 million by 2013/14. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 1.17 per cent (R.913 million) of operating expenditure excluding annual redemption for 2012/13. As previously noted, the Municipality has reached its prudential limits for borrowing – hence the planned borrowing to finance the capital budget does not result in finance charges as a percentage of operational expenditure increasing – rather it is kept close to 1.17 per cent over the MTREF.

Bulk purchases are directly informed by the purchase of electricity from Eskom and water from DWAF. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. In line with the Municipality's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the Municipality's infrastructure.

Contracted services have been identified as a cost saving area for the Municipality. As part of the compilation of the 2012/13 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2012/13 financial year, this group of expenditure totals R.65 million and has escalated by 10 per cent. Further details relating to contracted services can be seen in Table 64 MBRR SA1 (see page 100).

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Growth has been limited to 5 per cent for 2012/13 and curbed at 6.2 and 5.9 per cent for the two outer years, indicating that significant cost savings have been already realised.

The following table gives a breakdown of the main expenditure categories for the 2012/13 financial year.

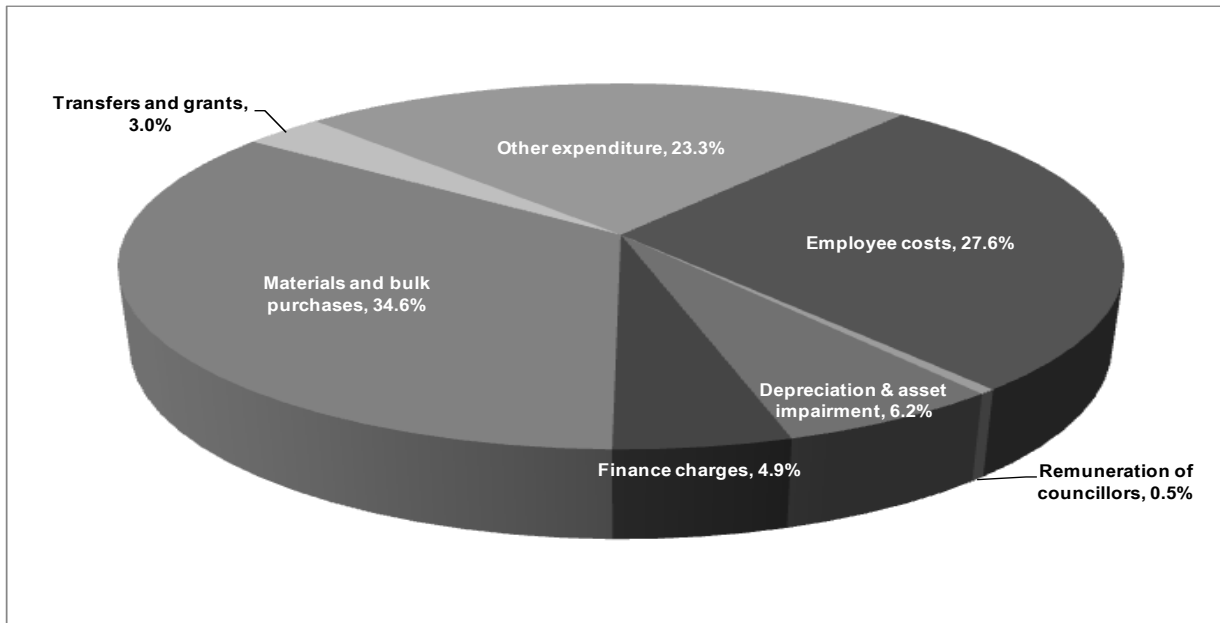


Figure 1 Main operational expenditure categories for the 2011/12 financial year

1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2012/13 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the Municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services.

During the compilation of the 2012/13 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure and historic deferred maintenance. To this end, repairs and maintenance was substantially increased by 18 per cent in the 2012/13 financial year, from R2.3 million to R2.7 million. This strategic imperative remains a priority as can be seen by the budget appropriations over the MTREF. The total allocation for 2012/13 equates to R2.7 million a growth of 18 per cent in relation to the Adjustment Budget and continues to grow at 7 and 6.2 per cent over the MTREF. In relation to the total operating expenditure, repairs and maintenance comprises of 3.4 per cent for the respective financial years of the MTREF. This is mainly due to bulk electricity purchases that continually exceed growth in other expenditure items.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

Table 13 Repairs and maintenance per asset class

NC072 Umsobomvu - Supporting Table SA34c Repairs and maintenance expenditure by asset class

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand	1									
Repairs and maintenance expenditure by Asset Class/Sub-class										
Infrastructure		118	610	1 222	1 201	1 170	1 170	2 162	2 297	2 440
Infrastructure - Road transport		118	390	443	515	484	484	763	802	842
Roads, Pavements & Bridges		5	350	253	265	265	265	273	286	301
Storm water		113	40	190	250	219	219	491	515	541
Infrastructure - Electricity		-	-	478	381	381	381	859	928	1 002
Generation				58						
Transmission & Reticulation				368	55	55	55	558	603	651
Street Lighting				53	326	326	326	301	325	351
Infrastructure - Water		-	220	260	273	273	273	341	359	377
Dams & Reservoirs										
Water purification			70	50	53	53	53	110	115	121
Reticulation			150	210	221	221	221	232	243	256
Infrastructure - Sanitation		-	-	41	32	32	32	114	120	126
Reticulation				30	32	32	32	114	120	126
Sewerage purification				11						
Infrastructure - Other		-	-	-	-	-	-	85	89	93
Waste Management								85	89	93
Transportation	2									
Gas										
Other	3									
Community		-	96	939	267	-	273	384	426	450
Parks & gardens				64	67		76	73	96	101
Sportsfields & stadia										
Swimming pools										
Community halls			82	152	160		160	156	168	178
Libraries				5	5		4	4	4	4
Recreational facilities										
Fire, safety & emergency										
Security and policing								109	114	120
Buses	7									
Clinics										
Museums & Art Galleries			4	21	22		22	9	9	10
Cemeteries			10	12	13		11	33	35	37
Social rental housing	8									
Other				685						
Heritage assets		-	-	-	-	-	-	-	-	-
Buildings										
Other	9									
Investment properties		-	-	-	-	-	-	-	-	-
Housing development										
Other										
Other assets		1 163	580	-	798	866	866	180	194	209
General vehicles		111	194		509	507	507	46	49	52
Specialised vehicles	10	-	-	-	-	-	-	71	75	79
Plant & equipment		21	50		126	121	121			
Computers - hardware/equipment		30	57		44	64	64	-	-	-
Furniture and other office equipment		19	31		46	85	85	11	12	13
Abattoirs						-	-	-	-	-
Markets						-	-			
Civic Land and Buildings					37	57	57	50	56	63
Other Buildings		10	12		35	32	32	2	2	2
Other Land										
Surplus Assets - (Investment or Inventory)										
Other		971	236							
Agricultural assets		-	-	-	-	-	-	-	-	-
List sub-class										

For the 2012/13 financial year, 31.9 per cent or R2.7 million of total repairs and maintenance will be spent on infrastructure assets. Electricity infrastructure has received a significant proportion of this allocation totalling 27.9 per cent (R.869 million), followed by road infrastructure at 28.6 per cent (R.763 million), water at 12.5per cent (R.341 million) and sanitation at 4.1 per cent (R.114 million). Community assets have been allocated R.384 million of total repairs and maintenance.

1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The target is to register 3132 or more indigent households during the 2012/13 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement) on page 38.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 14 2011/12 Medium-term capital budget per vote

NC072 Umsobomvu - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding							
Vote Description	Ref	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	1	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Capital expenditure - Vote							
Multi-year expenditure to be appropriated	2						
Vote 1 - Executive & Council		-	409	409	-	-	-
Vote 2 - Finance & Administration		-	-	-	-	-	-
Vote 3 - Community Services		1 743	1 743	1 743	-	-	-
Vote 4 - Technical Services		108 347	68 347	68 347	61 857	47 302	54 129
Capital multi-year expenditure sub-total	7	110 090	70 499	70 499	61 857	47 302	54 129
Total Capital Expenditure - Vote		110 090	70 499	70 499	61 857	47 302	54 129

For 2012/13 an amount of R61.57 million has been appropriated for the development of infrastructure which represents 100 per cent of the total capital budget. In the outer years this amount totals R47.3 million, 100 per cent and R54.1 million, 100 per cent respectively for each of the financial years. Water services receives the highest allocation of R 58 million in 2012/13 which equates to 93 per cent followed by electricity infrastructure at 5 per cent, R3.3 million.

Total new assets represent 100 per cent or R61.857 million of the total capital budget. Further detail relating to asset classes and proposed capital expenditure is contained in Table 26 MBRR A9 (Asset Management) on page 36. In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class (refer to pages 88, 89 and 90). Some of the salient projects to be undertaken over the medium-term includes, amongst others:

- Electricity for all (backlog eradication) – R8.3 million;
- Bulk supply and backlog eradication of water - R154. million;
- Backlog eradication of roads – R1. million;

Furthermore pages 92 to 96 contain a detail breakdown of the capital budget per project over the medium-term.

The following graph provides a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF.

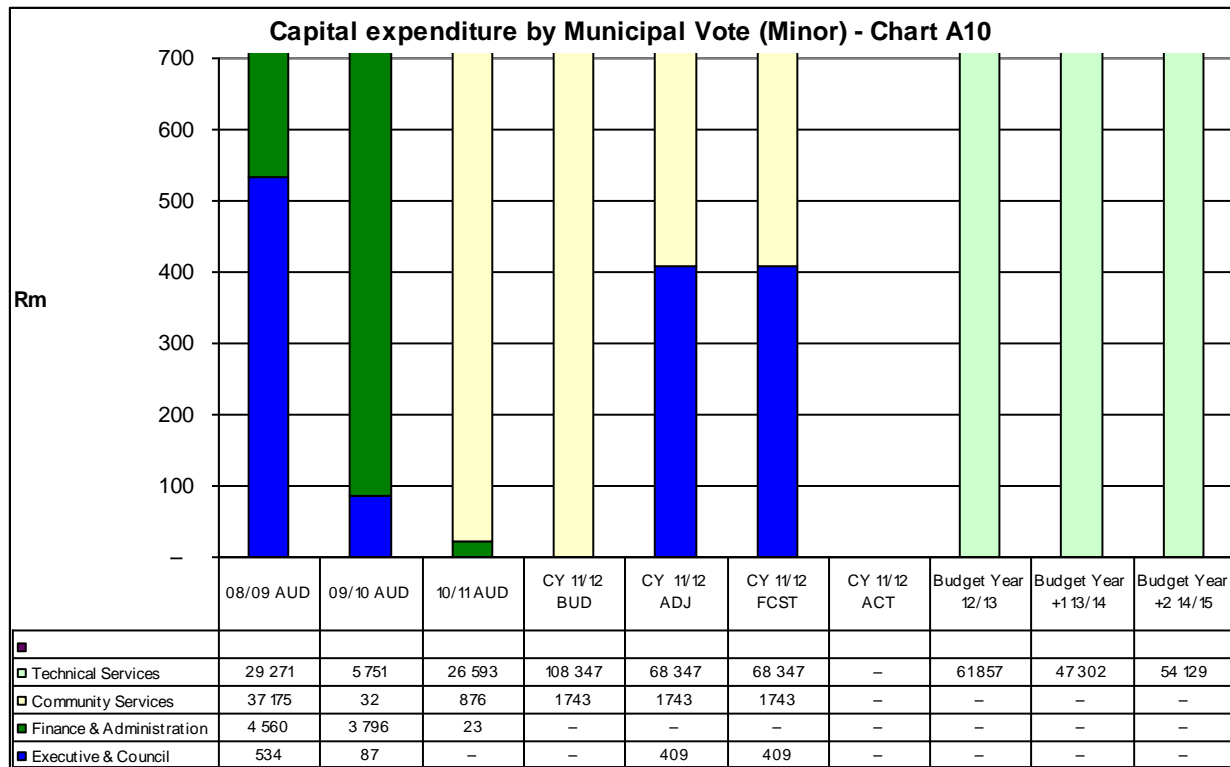


Figure 2 Capital Infrastructure Programme

1.6.1 Future operational cost of new infrastructure

The future operational costs and revenues associated with the capital programme have been included in the MTREF expenditure. This concomitant operational expenditure is expected to escalate to R100 million by 2016/17. It needs to be noted that as part of the 2011/12 MTREF, this expenditure has been factored into the two outer years of the operational budget.

1.7 Annual Budget Tables - Parent Municipality

The following eighteen pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2012/13 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 15 MBRR Table A1 - Budget Summary

Umsobomvu Municipality 2012/13 Annual Budget and MTREF

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousands									
Financial Performance									
Property rates	5 126	3 724	3 820	3 727	4 275	4 275	4 452	4 679	4 917
Service charges	22 057	29 062	43 116	35 452	35 651	35 651	38 572	40 882	43 280
Investment revenue	12	102	–	–	18	18	18	19	19
Transfers recognised - operational	15 854	18 948	27 432	29 445	29 445	29 445	33 124	35 681	38 242
Other own revenue	3 276	#REF!	2 516	3 593	3 600	3 600	3 685	3 709	3 776
Total Revenue (excluding capital transfers and contributions)	46 324	#REF!	76 884	72 217	72 989	72 989	79 851	84 970	90 234
Employee costs	18 340	20 876	23 887	27 148	27 483	27 483	30 516	32 240	33 959
Remuneration of councillors	–	2 119	2 457	–	–	–	2 330	2 447	2 569
Depreciation & asset impairment	19 111	32 675	33 421	4 704	6 104	6 104	3 657	3 835	4 132
Finance charges	271	319	187	1 283	2 176	2 176	488	391	303
Materials and bulk purchases	(5 049)	24 075	11 011	15 927	13 398	13 398	15 524	17 231	19 539
Transfers and grants	–	–	2 826	–	–	–	–	–	–
Other expenditure	15 344	14 251	17 744	23 154	23 824	23 824	27 013	28 554	30 002
Total Expenditure	48 017	94 316	91 533	72 216	72 986	72 986	78 530	84 697	90 504
Surplus/(Deficit)	(1 693)	#REF!	(14 649)	0	2	2	321	273	(270)
Transfers recognised - capital	1 757	3 707	16 806	110 090	70 499	70 499	61 857	47 302	54 129
Contributions recognised - capital & contributed a	–	–	–	–	–	–	–	1	–
Surplus/(Deficit) after capital transfers & contributions	64	#REF!	2 157	110 090	70 501	70 501	62 178	47 576	53 859
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	64	#REF!	2 157	110 090	70 501	70 501	62 178	47 576	53 859
Capital expenditure & funds sources									
Capital expenditure	71 540	9 666	27 491	110 090	70 499	70 499	61 857	47 302	54 129
Transfers recognised - capital	1 797	9 666	27 432	104 827	64 827	64 947	61 857	47 302	54 129
Public contributions & donations	–	–	–	–	–	–	–	–	–
Borrowing	–	–	–	5 263	5 263	5 143	–	–	–
Internally generated funds	69 743	–	59	–	409	409	–	–	–
Total sources of capital funds	71 540	9 666	27 491	110 090	70 499	70 499	61 857	47 302	54 129
Financial position									
Total current assets	41 751	15 676	17 816	25 585	8 528	25 298	14 179	14 179	14 179
Total non current assets	76 390	350 617	350 087	459 988	420 212	420 212	670 348	717 650	771 779
Total current liabilities	19 939	25 455	19 474	6 150	6 150	6 150	6 169	3 908	2 835
Total non current liabilities	15 057	15 539	13 909	12 071	12 071	12 071	11 963	12 213	12 463
Community wealth/Equity	323 750	360 368	287 214	330 803	417 178	490 156	552 189	599 764	606 048
Cash flows									
Net cash from (used) operating	8 366	11 486	28 176	993	841	841	55 436	51 993	58 612
Net cash from (used) investing	(13 644)	(7 081)	(27 570)	(5 264)	(4 855)	(4 855)	(51 857)	(47 302)	(54 129)
Net cash from (used) financing	3 359	(561)	(1 188)	3 062	3 060	7 468	(1 419)	(1 308)	(1 335)
Cash/cash equivalents at the year end	(1 919)	1 925	1 343	(1 902)	(1 648)	2 760	4 919	8 302	11 450
Cash backing/surplus reconciliation									
Cash and investments available	(1 920)	(1 303)	(1 101)	500	500	500	500	500	500
Application of cash and investments	(29 217)	11 978	(23 717)	(22 064)	(5 018)	(21 247)	(10 578)	(10 696)	(11 797)
Balance - surplus (shortfall)	27 298	(13 280)	22 616	22 564	5 518	21 747	11 078	11 196	12 297
Asset management									
Asset register summary (WDV)	179	–	350 327	427 065	511 745	596 834	645 365	693 705	740 045
Depreciation & asset impairment	19 111	32 675	33 421	4 704	6 104	6 104	3 657	3 835	4 132
Renewal of Existing Assets	–	–	–	–	–	–	–	–	–
Repairs and Maintenance	1 281	1 286	2 160	2 265	2 036	2 309	2 727	2 918	3 099
Free services									
Cost of Free Basic Services provided	678	550	648	710	2 060	2 060	890	956	989
Revenue cost of free services provided	678	1 196	1 298	1 365	2 714	2 714	11 342	12 135	12 534
Households below minimum service level									
Water:	–	–	–	–	–	–	7	8	–
Sanitation/sewerage:	0	0	0	1	0	0	0	0	0
Energy:	–	–	–	–	–	–	–	–	–
Refuse:	–	–	–	–	–	–	–	–	–

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
 - iii. Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations. It is anticipated that the goal of having all obligations cash-back will be achieved by 2014/15, when a small surplus is reflected.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs. It is anticipated that by 2013/14 the water backlog will have been eliminated.

Table 16 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Revenue - Standard										
<i>Governance and administration</i>		21 517	26 284	36 028	32 171	33 118	33 118	36 155	39 065	41 869
Executive and council		15 285	18 948	23 637	26 095	26 504	26 504	29 319	31 648	34 159
Budget and treasury office		251	1 724	5 892	2 348	2 338	2 338	2 382	2 736	2 790
Corporate services		5 981	5 612	6 499	3 728	4 276	4 276	4 454	4 681	4 920
<i>Community and public safety</i>		4 277	1 827	-	3 023	2 812	2 811	3 195	2 873	2 788
Community and social services		1 254	104	-	639	679	678	892	813	823
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		3 023	1 723	-	2 384	2 133	2 133	2 304	2 060	1 965
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		138	25	53	435	469	469	1 069	254	76
Planning and development		-	-	-	-	-	-	-	182	-
Road transport		138	25	53	435	469	469	1 069	72	76
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		26 412	31 068	57 609	146 677	107 089	107 090	101 289	90 081	99 631
Electricity		10 299	12 942	14 288	79 991	39 655	39 656	23 766	24 871	25 566
Water		7 992	9 346	17 330	53 419	53 513	53 513	66 816	53 958	62 239
Waste water management		4 503	4 821	21 868	7 232	7 629	7 629	5 913	6 214	6 531
Waste management		3 618	3 959	4 124	6 035	6 292	6 292	4 794	5 038	5 295
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Revenue - Standard	2	52 345	59 204	93 690	182 306	143 487	143 487	141 708	132 273	144 363
Expenditure - Standard										
<i>Governance and administration</i>		18 893	22 707	13 865	26 794	27 291	27 291	30 374	31 540	33 085
Executive and council		11 285	12 692	14 352	14 075	14 346	14 346	15 583	15 747	16 530
Budget and treasury office		5 249	5 418	(3 798)	8 768	8 930	8 930	9 233	10 027	10 511
Corporate services		2 359	4 597	3 311	3 951	4 015	4 015	5 558	5 766	6 044
<i>Community and public safety</i>		3 490	3 442	2 067	6 287	6 707	6 707	7 574	8 013	8 457
Community and social services		1 545	1 426	1 405	3 220	3 252	3 252	3 986	4 225	4 477
Sport and recreation		93	393	(1 260)	952	1 188	1 188	1 129	1 204	1 264
Public safety		1 192	1 309	1 538	1 715	1 843	1 843	2 025	2 129	2 237
Housing		-	314	384	400	424	424	434	456	479
Health		660	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		6 813	4 927	5 530	6 418	6 269	6 269	5 898	6 189	6 498
Planning and development		-	-	-	-	-	-	-	-	-
Road transport		6 813	4 927	5 530	6 418	6 269	6 269	5 898	6 189	6 498
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		18 821	63 240	70 071	32 717	32 719	32 719	35 683	38 955	42 464
Electricity		8 212	29 618	16 130	16 204	16 079	16 079	18 881	21 164	23 744
Water		6 987	24 213	22 138	8 087	8 331	8 331	7 479	7 851	8 333
Waste water management		1 876	4 946	28 818	4 178	4 217	4 217	4 820	5 024	5 271
Waste management		1 746	4 462	2 985	4 248	4 092	4 092	4 503	4 916	5 115
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Expenditure - Standard	3	48 017	94 316	91 533	72 216	72 986	72 986	79 530	84 697	90 504
Surplus/(Deficit) for the year		4 328	(35 112)	2 157	110 090	70 501	70 501	62 178	47 576	53 859

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 4 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Water, Waste water and the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Corporate Services.

Table 17 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand										
Revenue by Vote	1									
Vote 1 - Executive & Council		15 285	18 948	23 637	26 095	26 504	26 504	29 319	31 648	34 159
Vote 2 - Finance & Administration		3 707	5 632	10 478	6 194	6 742	6 742	6 982	7 571	7 872
Vote 3 - Community Services		5 742	5 664	6 036	8 961	8 975	8 975	7 843	8 120	8 501
Vote 4 - Technical Services		20 706	25 133	39 047	141 077	101 266	101 266	97 564	84 933	93 832
Vote 5 - [NAME OF VOTE 5]		-	-	-	-	-	-	-	-	-
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	45 439	55 375	79 198	182 327	143 487	143 487	141 708	132 272	144 363
Expenditure by Vote to be appropriated	1									
Vote 1 - Executive & Council		11 285	12 692	14 352	14 076	14 346	14 346	15 583	15 748	16 530
Vote 2 - Finance & Administration		8 201	10 693	(487)	13 952	14 033	14 033	16 087	17 189	18 061
Vote 3 - Community Services		4 642	7 168	5 318	9 300	9 425	9 425	10 781	11 533	12 067
Vote 4 - Technical Services		21 247	59 935	57 858	34 909	35 182	35 182	37 078	40 227	43 847
Vote 5 - [NAME OF VOTE 5]		-	-	-	-	-	-	-	-	-
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	45 375	90 487	77 041	72 237	72 986	72 986	79 530	84 697	90 504
Surplus/(Deficit) for the year	2	64	(35 112)	2 157	110 090	70 501	70 501	62 178	47 576	53 859

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit for the electricity and water trading services.

Table 18 Surplus/(Deficit) calculations for the trading services

NC072 Umsobomvu - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)A									
Vote Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Revenue by Vote									
Water	11 533	14 688	39 287	106 838	107 026	107 026	133 633	107 915	124 477
Total operational Income (Including Capital Transfers)	5 767	7 344	19 644	53 419	53 513	53 513	66 816	53 957	62 239
Operating Expenditure	4 346	8 601	7 381	8 088	8 331	8 331	7 479	7 851	8 334
Surplus/(Deficit) for the year	1 420	(1 257)	12 263	45 331	45 182	45 182	59 337	46 106	53 905
Percentage surplus for the year	24.63%	-17.11%	62.43%	84.86%	84.43%	84.43%	88.81%	85.45%	86.61%
Electricity									
Total operational Income (Including Capital Transfers)	10 299	12 942	14 288	79 991	39 655	39 655	23 766	24 690	24 986
Operating Expenditure	8 212	41 462	16 130	16 204	16 366	16 366	18 881	21 164	23 744
Surplus/(Deficit) for the year	2 086	(28 520)	(1 842)	63 787	23 289	23 289	4 885	3 526	1 242
Percentage surplus for the year	20.26%	-220.37%	-12.89%	79.74%	58.73%	58.73%	20.56%	14.28%	4.97%

2. The electricity trading surplus is deteriorating over the 2011/12 MTREF from 58.7 per cent or R23 million in 2011/12 to 5 per cent by 2014/15. This is primarily as a result of the high increases in Eskom bulk purchases and the tariff setting policy of the municipality to buffer the impact of these increases on individual consumers.
3. The surplus on the water account remains relatively constant over the MTREF translating into a surplus of 88 per cent, 85 per cent and 86 per cent for each of the respective financial years.
4. Note that the surpluses on these trading accounts are utilised as an internal funding source for the capital programme for asset renewal, refurbishment and the development of new asset infrastructure, *and are not used to cross-subsidise other municipal services.*

5. Table 19 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Revenue By Source										
Property rates	2	3 176	3 581	3 820	3 727	3 916	3 916	4 152	4 363	4 586
Property rates - penalties & collection charges		1 950	143			359	359	300	315	331
Service charges - electricity revenue	2	9 120	12 942	14 288	18 520	17 962	17 962	19 865	21 057	22 320
Service charges - water revenue	2	5 426	7 344	19 644	7 717	7 688	7 688	8 103	8 516	8 951
Service charges - sanitation revenue	2	4 295	4 821	5 062	5 077	5 395	5 395	5 712	6 003	6 310
Service charges - refuse revenue	2	3 216	3 955	4 123	4 137	4 376	4 376	4 639	4 894	5 323
Service charges - other						230	230	252	412	376
Rental of facilities and equipment		471	298			69	69	174	142	149
Interest earned - external investments		12	102			18	18	18	19	19
Interest earned - outstanding debtors		946	1 110			1 406	1 406	1 200	1 138	1 074
Dividends received										
Fines		1 413	1 573			1 877	1 877	1 891	1 987	2 089
Licences and permits		360	291			248	248	421	442	464
Agency services										
Transfers recognised - operational		15 854	18 948	27 432	29 445	29 445	29 445	33 124	35 681	38 242
Other revenue	2	87	388	2 516	3 593	-	-	-	-	-
Gains on disposal of PPE										
Total Revenue (excluding capital transfers and contributions)		46 324	55 497	76 884	72 217	72 989	72 989	79 851	84 970	90 234
Expenditure By Type										
Employee related costs	2	18 340	20 876	23 887	27 148	27 483	27 483	30 516	32 240	33 959
Remuneration of councillors			2 119	2 457				2 330	2 447	2 569
Debt impairment	3							3 844	4 039	4 258
Depreciation & asset impairment	2	19 111	32 675	33 421	4 704	6 104	6 104	3 657	3 835	4 132
Finance charges		271	319	187	1 283	2 176	2 176	488	391	303
Bulk purchases	2	7 318	8 404	11 011	15 927	13 398	13 398	15 524	17 231	19 539
Other materials	8	(12 367)	15 671							
Contracted services		337	475	673	611	611	611	652	686	721
Transfers and grants		-	-	2 826	-	-	-	-	-	-
Other expenditure	4, 5	15 007	13 776	17 071	22 543	23 213	23 213	22 518	23 829	25 023
Loss on disposal of PPE										
Total Expenditure		48 017	94 316	91 533	72 216	72 986	72 986	79 530	84 697	90 504
Surplus/(Deficit)		(1 693)	(38 819)	(14 649)	0	2	2	321	273	(270)
Transfers recognised - capital		1 757	3 707	16 806	110 090	70 499	70 499	61 857	47 302	54 129
Contributions recognised - capital	6	-	-	-	-	-	-	-	-	-
Contributed assets									1	
Surplus/(Deficit) after capital transfers & contributions		64	(35 112)	2 157	110 090	70 501	70 501	62 178	47 576	53 859
Taxation										
Surplus/(Deficit) after taxation		64	(35 112)	2 157	110 090	70 501	70 501	62 178	47 576	53 859
Attributable to minorities										
Surplus/(Deficit) attributable to municipality		64	(35 112)	2 157	110 090	70 501	70 501	62 178	47 576	53 859
Share of surplus/ (deficit) of associate	7									
Surplus/(Deficit) for the year		64	(35 112)	2 157	110 090	70 501	70 501	62 178	47 576	53 859

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R72.989 million in 2011/12 and escalates to R90.234 million by 2014/15. This represents a year-on-year increase of 9 per cent for the 2012/13 financial year and 9 per cent for the 2014/15 financial year.
2. Revenue to be generated from property rates is R3.9 million in the 2011/12 financial year and increases to R4.3 million by 2014/15 which represents 4 per cent of the operating revenue base of the Municipality and therefore remains a significant funding source for the municipality. It remains relatively constant over the medium-term and tariff increases have been factored in at 5 per cent, 5 per cent and 5 per cent for each of the respective financial years of the MTREF.
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R38.3 million for the 2012/13 financial year and increasing to R42.7 million by 2014/15. For the 2011/12 financial year services charges amount to 48 per cent of the total revenue base and grows by 1 per cent over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of electricity and water.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF by 8 per cent and 7 per cent for the two outer years. The percentage share of this revenue source declines due to the more rapid relative growth in service charge revenues.
5. The following graph illustrates the major expenditure items per type.

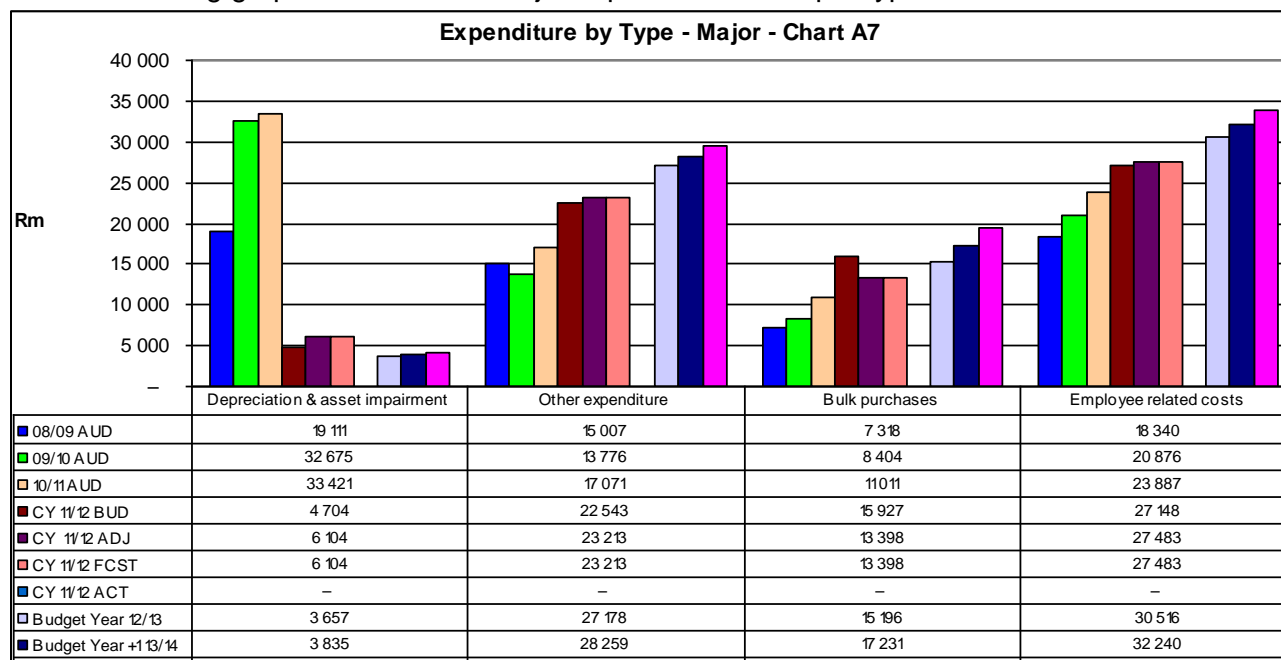


Figure 3 Expenditure by major type

6. Bulk purchases have significantly increased over the 2008/09 to 2014/15 period escalating from R7.3 million to R19.5 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom and water from DWAF.
7. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Table 20 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Capital expenditure - Vote										
Multi-year expenditure to be appropriated	2									
Vote 1 - Executive & Council		534	87	-	-	409	409	-	-	-
Vote 2 - Finance & Administration		4 560	3 796	23	-	-	-	-	-	-
Vote 3 - Community Services		37 175	32	876	1 743	1 743	1 743	-	-	-
Vote 4 - Technical Services		29 271	5 751	26 593	108 347	68 347	68 347	61 857	47 302	54 129
Capital multi-year expenditure sub-total	7	71 540	9 666	27 491	110 090	70 499	70 499	61 857	47 302	54 129
Single-year expenditure to be appropriated	2									
Total Capital Expenditure - Vote		71 540	9 666	27 491	110 090	70 499	70 499	61 857	47 302	54 129
Capital Expenditure - Standard										
Governance and administration		2 256	2 728	-	-	409	409	-	-	-
Executive and council		534	87	-	-	409	409			
Budget and treasury office		963	2 623							
Corporate services		758	18							
Community and public safety		1 183	14	59	-	-	-	-	-	-
Community and social services				59						
Sport and recreation		346	14							
Public safety		795								
Housing										
Health		43								
Economic and environmental services		7 331	-	-	400	400	400	1 000	-	-
Planning and development										
Road transport		7 331			400	400	400	1 000		
Environmental protection										
Trading services		57 174	5 751	27 432	109 690	69 690	69 690	60 857	47 302	54 129
Electricity		6 373	5 062		61 170	21 170	21 170	3 300	3 000	2 000
Water		15 568	689	27 432	44 777	44 777	44 777	57 557	44 302	52 129
Waste water management					2 000	2 000	2 000			-
Waste management		35 234			1 743	1 743	1 743			
Other		3 596	1 173							
Total Capital Expenditure - Standard	3	71 540	9 666	27 491	110 090	70 499	70 499	61 857	47 302	54 129
Funded by:										
National Government		1 797	17 588	27 432	61 170	21 170	64 947	61 857	47 302	54 129
Provincial Government					43 657	43 657				
District Municipality										
Other transfers and grants			(7 922)							
Transfers recognised - capital	4	1 797	9 666	27 432	104 827	64 827	64 947	61 857	47 302	54 129
Public contributions & donations	5									
Borrowing	6				5 263	5 263	5 143			
Internally generated funds		69 743		59	-	409	409			
Total Capital Funding	7	71 540	9 666	27 491	110 090	70 499	70 499	61 857	47 302	54 129

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.
3. Single-year capital expenditure has been appropriated at R61.857 million for the 2012/13 financial year and remains relatively constant over the MTREF at levels of R47.3 million and R54.1 million respectively for the two outer years.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
5. The capital programme is funded from capital and provincial grants and transfers. For 2012/13, capital transfers totals R61.857 million (100 per cent) and R1.2 million by 2013/14 (100 per cent). These funding sources are further discussed in detail in 2.6 (Overview of Budget Funding).

Table 21 MBRR Table A6 - Budgeted Financial Position

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand										
ASSETS										
Current assets										
Cash		1 257								
Call investment deposits	1	–	632	405	500	500	500	500	500	500
Consumer debtors	1	35 732	14 821	17 410	25 085	8 028	24 798	13 679	13 679	13 679
Other debtors		4 762	222							
Current portion of long-term receivables										
Inventory	2									
Total current assets		41 751	15 676	17 816	25 585	8 528	25 298	14 179	14 179	14 179
Non current assets										
Long-term receivables		15	6	4						
Investments										
Investment property		179								
Investment in Associate										
Property, plant and equipment	3	76 196	350 611	350 083	459 988	420 212	420 212	670 348	717 650	771 779
Agricultural										
Biological										
Intangible										
Other non-current assets										
Total non current assets		76 390	350 617	350 087	459 988	420 212	420 212	670 348	717 650	771 779
TOTAL ASSETS		118 142	366 293	367 903	485 574	428 740	445 511	684 527	731 829	785 958
LIABILITIES										
Current liabilities										
Bank overdraft	1	3 176	1 935	1 506						
Borrowing	4	969	1 213	1 288	1 400	1 400	1 400	1 419	1 308	1 335
Consumer deposits		509	545							
Trade and other payables	4	8 582	21 762	16 680	4 750	4 750	4 750	4 750	2 600	1 500
Provisions		6 703								
Total current liabilities		19 939	25 455	19 474	6 150	6 150	6 150	6 169	3 908	2 835
Non current liabilities										
Borrowing		2 391	1 586	323	5 621	5 621	5 621	5 263	5 263	5 263
Provisions		12 666	13 953	13 587	6 450	6 450	6 450	6 700	6 950	7 200
Total non current liabilities		15 057	15 539	13 909	12 071	12 071	12 071	11 963	12 213	12 463
TOTAL LIABILITIES		34 996	40 994	33 383	18 221	18 221	18 221	18 132	16 121	15 298
NET ASSETS	5	83 146	325 299	334 520	467 353	410 519	427 290	666 395	715 708	770 659
COMMUNITY WEALTH/EQUITY										
Accumulated Surplus/(Deficit)		323 750	360 368	287 214	330 803	417 178	490 156	552 189	599 764	606 048
Reserves	4	–	–	–	–	–	–	–	–	–
Minorities' interests										
TOTAL COMMUNITY WEALTH/EQUITY	5	323 750	360 368	287 214	330 803	417 178	490 156	552 189	599 764	606 048

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table 66 is supported by an extensive table of notes (SA3 which can be found on page 102) providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non current;
 - Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 22 MBRR Table A7 - Budgeted Cash Flow Statement

NC072 Umsobomvu - Table A7 Budgeted Cash Flows

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Ratepayers and other	1	25 280	105 086	91 537	42 309	42 119	42 119	45 509	47 890	50 523
Government - operating					29 838	29 445	29 445	32 979	35 681	38 242
Government - capital	1				110 090	70 090	70 090	51 857	47 302	54 129
Interest		12	1 212	1 314	994	1 424	1 424	1 218	1 157	1 094
Dividends										
Payments										
Suppliers and employees		(16 655)	(94 434)	(64 488)	(180 594)	(140 594)	(140 594)	(75 784)	(79 646)	(85 072)
Finance charges		(271)	(378)	(187)	(1 644)	(1 644)	(1 644)	(488)	(391)	(303)
Transfers and Grants	1									
NET CASH FROM/(USED) OPERATING ACTIVITIES		8 366	11 486	28 176	993	841	841	55 291	51 993	58 612
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE										
Decrease (increase) in non-current debtors										
Decrease (increase) other non-current receivables		(15)	(6)			409	409			
Decrease (increase) in non-current investments				(76)						
Payments										
Capital assets		(13 629)	(7 075)	(27 494)	(5 264)	(5 264)	(5 264)	(51 857)	(47 302)	(54 129)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(13 644)	(7 081)	(27 570)	(5 264)	(4 855)	(4 855)	(51 857)	(47 302)	(54 129)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans										
Borrowing long term/refinancing					5 264	5 264	5 264	-		
Increase (decrease) in consumer deposits										
Payments										
Repayment of borrowing		3 359	(561)	(1 188)	(2 202)	(2 204)	2 204	(1 419)	(1 308)	(1 335)
NET CASH FROM/(USED) FINANCING ACTIVITIES		3 359	(561)	(1 188)	3 062	3 060	7 468	(1 419)	(1 308)	(1 335)
NET INCREASE/ (DECREASE) IN CASH HELD		(1 919)	3 844	(582)	(1 208)	(954)	3 453	2 014	3 383	3 148
Cash/cash equivalents at the year begin:	2		(1 919)	1 925	(694)	(694)	(694)	2 760	4 774	8 157
Cash/cash equivalents at the year end:	2	(1 919)	1 925	1 343	(1 902)	(1 648)	2 760	4 774	8 157	11 305

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of the Municipality increased significantly over the 2008/09 to 2011/12 period owing directly to a net increase in cash for the financial year of R2.76 million.
4. The approved 2012/13 MTREF provide for a further net increase in cash of R2 million for the 2012//13 financial year resulting in an overall projected positive cash position of R4.77million at year end.
5. As part of the 2011/12 mid-year review and Adjustments Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations and rationalization of spending priorities.
6. In addition the Municipality undertook an extensive debt collection drive resulting in cash receipts on arrear debtors. These interventions translated into an expected net cash position of R2.7 million for the 2011/12 financial year and cash and cash equivalents totaled R4.7 million at year end.
7. The 2012/13 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
8. Cash and cash equivalents totals R4.7 million as at the end of the 2012/13 financial year and escalates to R11.3 million by 2014/15.

Table 23 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand										
Cash and investments available										
Cash/cash equivalents at the year end	1	(1 919)	1 925	1 343	(1 902)	(1 648)	2 760	4 919	8 302	11 450
Other current investments > 90 days		(1)	(3 228)	(2 444)	2 402	2 148	(2 260)	(4 419)	(7 802)	(10 950)
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-
Cash and investments available:		(1 920)	(1 303)	(1 101)	500	500	500	500	500	500
Application of cash and investments										
Unspent conditional transfers		351	6 700	7 848	2 000	2 000	2 000	2 000	2 000	1 000
Unspent borrowing		-	-	-	-	-	-	-	-	-
Statutory requirements	2									
Other working capital requirements	3	(29 569)	5 277	(31 565)	(24 064)	(7 018)	(23 247)	(12 578)	(12 696)	(12 797)
Other provisions										
Long term investments committed	4	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5									
Total Application of cash and investments:		(29 217)	11 978	(23 717)	(22 064)	(5 018)	(21 247)	(10 578)	(10 696)	(11 797)
Surplus(shortfall)		27 298	(13 280)	22 616	22 564	5 518	21 747	11 078	11 196	12 297

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. From the table it can be seen that for the period 2008/09 to 2011/12 the surplus deteriorated from R27 million to R21 million.
6. Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2011/12 MTREF was funded owing to the significant remaining surplus.
7. As part of the budgeting and planning guidelines that informed the compilation of the 2012/13 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

8. As can be seen the budget has been modelled to progressively increase from R11.07 million to R12.2 million by 2014/15.

Table 24 MBRR Table A9 - Asset Management

NC072 Umsobomvu - Table A9 Asset Management

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand										
CAPITAL EXPENDITURE										
Total New Assets	1	71 540	9 666	27 491	110 090	70 499	70 499	61 857	47 302	54 129
Infrastructure - Road transport		7 331	-	-	-	-	-	1 000	-	-
Infrastructure - Electricity		6 373	5 062	137	61 170	21 170	21 170	3 300	3 000	2 000
Infrastructure - Water		15 568	689	26 456	44 777	44 777	44 777	57 557	44 302	52 129
Infrastructure - Sanitation		35 234	-	-	-	-	-	-	-	-
Infrastructure - Other		3 596	1 173	876	-	-	-	-	-	-
Infrastructure		68 102	6 924	27 468	105 947	65 947	65 947	61 857	47 302	54 129
Community		1 183	14	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	0	-	-	-	-	-	-	-
Other assets	6	2 255	2 728	23	4 143	4 552	4 552	-	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
Total Renewal of Existing Assets										
Infrastructure - Road transport	2	-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	-	-	-	-
Community		-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	-	-	-	-	-	-	-	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
Total Capital Expenditure										
Infrastructure - Road transport	4	7 331	-	-	-	-	-	1 000	-	-
Infrastructure - Electricity		6 373	5 062	137	61 170	21 170	21 170	3 300	3 000	2 000
Infrastructure - Water		15 568	689	26 456	44 777	44 777	44 777	57 557	44 302	52 129
Infrastructure - Sanitation		35 234	-	-	-	-	-	-	-	-
Infrastructure - Other		3 596	1 173	876	-	-	-	-	-	-
Infrastructure		68 102	6 924	27 468	105 947	65 947	65 947	61 857	47 302	54 129
Community		1 183	14	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	0	-	-	-	-	-	-	-
Other assets	6	2 255	2 728	23	4 143	4 552	4 552	-	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset class	2	71 540	9 666	27 491	110 090	70 499	70 499	61 857	47 302	54 129
ASSET REGISTER SUMMARY - PPE (WDV)										
Infrastructure - Road transport	5				400	400	400	400	400	400
Infrastructure - Electricity				73 283	134 453	155 623	176 793	180 093	183 093	185 093
Infrastructure - Water				65 185	126 355	147 525	168 695	171 995	174 995	176 995
Infrastructure - Sanitation				32 616	93 786	114 956	136 126	157 296	178 466	199 636
Infrastructure - Other				10 902	72 072	93 242	114 412	135 582	156 752	177 922
Infrastructure		-	-	181 985	427 065	511 745	596 425	645 365	693 705	740 045
Community				168 341			409			
Heritage assets										
Investment properties		179	-	-	-	-	-	-	-	-
Other assets										
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	179	-	350 327	427 065	511 745	596 834	645 365	693 705	740 045
EXPENDITURE OTHER ITEMS										
Depreciation & asset impairment		19 111	32 675	33 421	4 704	6 104	6 104	3 657	3 835	4 132
Repairs and Maintenance by Asset Class	3	1 281	1 286	2 160	2 265	2 036	2 309	2 727	2 918	3 099
Infrastructure - Road transport		118	390	443	515	484	484	763	802	842
Infrastructure - Electricity		-	-	478	381	381	381	859	928	1 002
Infrastructure - Water		-	220	260	273	273	273	341	359	377

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The Municipality does not meet both these recommendations as the focus of resources is on new Basic service infrastructure and repair and maintenance amounts to 4.8 per cent.

Table 25 MBRR Table A10 - Basic Service Delivery Measurement

NC072 Umsobomvu - Table A10 Basic service delivery measurement

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Household service targets	1									
Water:										
Piped water inside dwelling		2 663	3	3	3	3	3	4 399	4 799	5 049
Piped water inside yard (but not in dwelling)		2 304	2	3	3	3	3	3 104	3 404	3 404
Using public tap (at least min.service level)	2	227						270	270	270
Other water supply (at least min.service level)	4									
Minimum Service Level and Above sub-total		5 194	5	6	6	6	6	7 773	8 473	8 723
Using public tap (< min.service level)	3									
Other water supply (< min.service level)	4									
No water supply										
Below Minimum Service Level sub-total		-	-	-	-	-	-	7 161	7 561	-
Total number of households	5	5 194	5	6	6	6	6	14 934	16 034	8 723
Sanitation/sewerage:										
Flush toilet (connected to sewerage)		3	3	4	3 976	5 102	5 102	7 049	7 449	7 699
Flush toilet (with septic tank)				1	112	112	112	112	112	112
Chemical toilet										
Pit toilet (ventilated)			1		612	612	612	612	612	612
Other toilet provisions (> min.service level)										
Minimum Service Level and Above sub-total		3	4	5	4 700	5 826	5 826	7 773	8 173	8 423
Bucket toilet		1	1	1	1 169	43	43	43	43	43
Other toilet provisions (< min.service level)										
No toilet provisions										
Below Minimum Service Level sub-total		1	1	1	1 169	43	43	43	43	43
Total number of households	5	4	5	6	5 869	5 869	5 869	7 816	8 216	8 466
Energy:										
Electricity (at least min.service level)		3	3	3	2 822	2 822	2 822	2 822	2 822	2 822
Electricity - prepaid (min.service level)		2	2	3	3 042	3 042	3 042	4 951	5 351	5 601
Minimum Service Level and Above sub-total		5	5	6	5 864	5 864	5 864	7 773	8 173	8 423
Electricity (< min.service level)										
Electricity - prepaid (< min. service level)										
Other energy sources										
Below Minimum Service Level sub-total		-	-	-	-	-	-	-	-	-
Total number of households	5	5	5	6	5 864	5 864	5 864	7 773	8 173	8 423
Refuse:										
Removed at least once a week		5	5	6	5 857	5 857	5 857	7 773	8 173	8 173
Minimum Service Level and Above sub-total		5	5	6	5 857	5 857	5 857	7 773	8 173	8 173
Removed less frequently than once a week										
Using communal refuse dump										
Using own refuse dump										
Other rubbish disposal										
No rubbish disposal										
Below Minimum Service Level sub-total		-	-	-	-	-	-	-	-	-
Total number of households	5	5	5	6	5 857	5 857	5 857	7 773	8 173	8 173
Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)		5	2	3	2 904	2 861	2 861	3 132	3 532	3 782
Sanitation (free minimum level service)		2	2	2	2 547	2 861	2 861	3 132	3 532	3 782
Electricity/other energy (50kwh per household per month)		2	2	3	2 904	2 861	2 861	3 132	3 532	3 782
Refuse (removed at least once a week)		2	2	3	2 904	2 861	2 861	3 132	3 532	3 782
Cost of Free Basic Services provided (R'000)	8									
Water (6 kilolitres per household per month)		352	170	175	189	443	443	291	224	236
Sanitation (free sanitation service)		148	155	192	202	707	707	271	304	314
Electricity/other energy (50kwh per household per month)		63	104	131	163	372	372	122	212	212
Refuse (removed once a week)		115	121	150	156	538	538	206	216	227
Total cost of FBS provided (minimum social package)		678	550	648	710	2 060	2 060	890	956	989
Highest level of free service provided										
Property rates (R value threshold)			30	31	31	31	31	34	35	35
Water (kilolitres per household per month)		6	6	6	6	6	6	6	6	6
Sanitation (kilolitres per household per month)		1	1	1	1	1	1	1	1	1
Sanitation (Rand per household per month)		60	65	68	72	72	72	76	81	81
Electricity (kwh per household per month)		50	50	50	50	50	50	50	50	50
Refuse (average litres per week)		1	1	1	1	1	1	1	1	1
Revenue cost of free services provided (R'000)	9									

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The Municipality continues to make good progress with the eradication of backlogs:
 - a. Water services – backlog is very small and will be eradicated as soon as a provincial Housing project is completed in three years time. These households are largely found in ‘reception areas’ and will need to be moved to formal areas so that they can receive services.
 - b. Sanitation services – backlog is very small and will be eradicated as soon as a provincial Housing project is completed in three years time.
 - c. Electricity services – backlog will be eradicated over the MTREF. As indicated elsewhere, the emphasis in the electricity sector is on addressing urgent network upgrades.
 - d. Refuse services – backlog does not exist at this stage.
3. The budget provides for 3 132 households to be registered as indigent in 2012/13, and therefore entitled to receiving Free Basic Services. The number is set to increase to 3782 households given the rapid rate of in-migration to the Municipality, especially by poor people seeking economic opportunities.
4. It is anticipated that these Free Basic Services will cost the municipality R.890 million per month or R 10.680 million in 2012/13 increasing to R11.868 million in 2014/15. This is covered by the municipality’s equitable share allocation from national government.

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aims of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2010) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on 27 August 2011. Key dates applicable to the process were:

- **August 2011** – Joint strategic planning session of the Mayoral Committee and Executive Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2012/13 MTREF;
- **November 2011** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;

- **3 to 7 January 2012** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- **January 2012** – Multi-year budget proposals are submitted to the Mayoral Committee for endorsement;
- **28 January 2011** - Council considers the 2011/12 Mid-year Review and Adjustments Budget;
- **February 2011** - Recommendations of the Mayoral Committee are communicated to the Budget Steering Committee, and on to the respective departments. The draft 2011/12 MTREF is revised accordingly;
- **25 March 2011** - Tabling in Council of the draft 2012/13 IDP and 2012/13 MTREF for public consultation;
- **April 2012** – Public consultation;
- **6 May 2012** - Closing date for written comments;
- **6 to 21 May 2012** – finalisation of the 2012/13 IDP and 2012/13 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **31 May 2011** - Tabling of the 2012/13 MTREF before Council for consideration and approval.

There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council.

2.1.2 IDP and Service Delivery and Budget Implementation Plan

This is the fourth review of the IDP as adopted by Council in May 2006. It started in September 2011 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2012/13 MTREF in August.

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2012/13 MTREF, based on the approved 2011/12 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2012/13 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2011/12 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2012/13 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2012/13 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
 - Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2011/12 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
 - The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 58 and 59 has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

The draft 2012/13 MTREF as tabled before Council on 30 March 2012 for community consultation was published on the municipality's website, and hard copies were made available at customer care offices, municipal notice boards and various libraries. E-mail notifications were sent to all organisations on the municipality's database, including ratepayer associations, community-based organisations and organised business.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Ward Committees were utilised to facilitate the community consultation process from 13 to 8 MAY 2011, and included 3 public briefing sessions. The applicable dates and venues were published in all the local newspapers and on average attendance of 200 was recorded per meeting. This is up on the previous year's process. This can be attributed to the additional initiatives that were launched during the consultation process, including the specific targeting of ratepayer associations. Individual sessions were scheduled with organised business and imbizo's were held to further ensure transparency and interaction. Other stakeholders involved in the consultation included churches, non-governmental institutions and community-based organisations.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalisation of the 2012/13 MTREF. Feedback and responses to the submissions received are available on request. The following are some of the issues and concerns raised as well as comments received during the consultation process:

- Capital expenditure is not allocated to the areas in the same ratio as the income derived from those areas. This is a normal practice in a collective taxation environment. The Municipality is responsible for managing the equitable use of resources to ensure that constitutional imperative to progressively improve basic services in undeveloped areas is realized in a sustainable manner over a reasonable period of time;
- Several complaints were received regarding poor service delivery, especially waste removal backlogs and the state of road infrastructure;
- Poor performance of contractors relating to infrastructure development and maintenance especially in the areas of road construction and maintenance were raised;
- Issues were raised regarding the payment of bonuses to senior managers;
- Remuneration packages of council officials were criticized as being very high, relative their private sector counterparts within the Municipality;
- The affordability of tariff increases, especially electricity, was raised on numerous occasions. This concern was also raised by organized business as an obstacle to economic growth;
- Pensioners cannot afford the tariff increases due to low annual pension increases; and
- During the community consultation process large sections of the community made it clear that they are not in favour of any further tariff increases to fund additional budget requests. They indicated that the municipality must do more to ensure efficiencies and value for money.

Significant changes effected in the final 2012/13 MTREF compared to the draft 2011/12 MTREF that was tabled for community consultation, include:

- The final Eskom bulk tariff increase, applicable to municipalities from 1 July 2011, was factored into the proposed consumer tariffs, applicable from 1 July 2011. This resulted in an increase of 11 per cent;

-
- The SALGBC parties' settlement regarding the salary dispute resulted in a preliminary amount of R3 million being provided for in the 2012/13 financial year;
- The 2013 Division of Revenue Act (DORA) grant allocations were finalized and aligned to the gazetted allocations; and
- Funding was allocated to address metering discrepancies and unmetered premises.

2.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;

- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2012/13 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 26 IDP Strategic Objectives

2011/12 Financial Year	2012/13 MTREF
1. The provision of quality basic services and infrastructure	1. Provision of quality basic services and infrastructure
2. Acceleration of higher and shared economic growth and development	2. Economic growth and development that leads to sustainable job creation
3. Fighting of poverty, building clean, healthy, safe and sustainable communities	3.1 Fight poverty and build clean, healthy, safe and sustainable communities
	3.2 Integrated Social Services for empowered and sustainable communities
4. Fostering participatory democracy and adherence to Umsobomvu principles through a caring, accessible and accountable service	4. Foster participatory democracy and Umsobomvu principles through a caring, accessible and accountable service
5. Good governance, Financial viability and institutional governance	5.1 Promote sound governance
	5.2 Ensure financial sustainability
	5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure

development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
 - Provide electricity;
 - Provide water;
 - Provide sanitation;
 - Provide waste removal;
 - Provide housing;
 - Provide roads and storm water;
 - Provide Municipality planning services; and
 - Maintaining the infrastructure of the Municipality.
2. Economic growth and development that leads to sustainable job creation by:
 - Ensuring there is a clear structural plan for the Municipality;
 - Ensuring planning processes function in accordance with set timeframes;
 - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
 - Effective implementation of the Indigent Policy;
 - Working with the provincial department of health to provide primary health care services;
 - Extending waste removal services and ensuring effective Municipality cleansing;
 - Ensuring all waste water treatment works are operating optimally;
 - Working with strategic partners such as SAPS to address crime;
 - Ensuring safe working environments by effective enforcement of building and health regulations;
 - Promote viable, sustainable communities through proper zoning; and
 - Promote environmental sustainability by protecting wetlands and key open spaces.
- 3.2 Integrated Social Services for empowered and sustainable communities
 - Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
4. Foster participatory democracy and Umsobomvu principles through a caring, accessible and accountable service by:

- Optimising effective community participation in the ward committee system; and
- Implementing Umsobomvu in the revenue management strategy.

5.1 Promote sound governance through:

- Publishing the outcomes of all tender processes on the municipal website

5.2 Ensure financial sustainability through:

- Reviewing the use of contracted services
- Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan

5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

- Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the Municipality's IDP, associated sectoral plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole; and
- Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the fourth revised IDP, including:

- Strengthening the analysis and strategic planning processes of the Municipality;
- Initiating zonal planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2012/13 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

Table 27 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

Strategic Objective	Goal	Goal Code	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15	
R thousand													
Basic Services	Provision & maintenance of infrastructure & basic services			424	2 360	8 673	34 909	35 182	35 182	5 467	6 760	8 469	
	Housing			5 767	7 789	27 789							
	Water			4 503	5 283	4 978	44 777	44 777	44 777	57 557	44 302	52 129	
	Sanitation			3 618	3 951	4 057	2 000	2 000	2 000	5 712	5 216	5 482	
	Refuse Removal			10 299	13 450	15 998	1 743	1 743	1 743	4 639	5 721	5 992	
	Electricity						61 170	21 170	21 170	23 165	24 259	24 521	
Municipal Institutional Development and Transformation	Social Services			2 121	1 812	2 917	4 461	4 461	4 461	7 843	8 120	8 501	
Local Economic Development	Tourism			2	2	2							
Municipal Financial Viability and Management	To effectively manage the revenue and expenditure functions of the municipality			6 063	5 610	5 627	6 742	7 650	7 650	8 005	6 247	5 111	
	To implement an effective system of budgeting and in year reporting procedures												
Good Governance and Public Participation	Council			15 285	18 948	23 649	26 504	26 504	26 504	29 319	31 648	34 159	
			2										
Total Revenue (excluding capital transfers and contributions)				1	48 081	59 204	93 690	182 306	143 487	143 487	141 708	132 273	144 363

Table 28 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

NC072 Umsobomvu - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

Strategic Objective	Goal	Goal Code	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand												
Basic Services	Eradication of backlogs in infrastructure											
	Provision of basic services			20 706	25 133	39 047	31 387	31 576	31 576	36 706	37 631	40 523
	Housing				37 631	30 805						
	Water											
	Sanitation											
	Refuse Removal											
	Electricity											
Municipal Institutional Development and Transformation	Social Services			5 742	5 664	6 036	8 961	8 975	8 975	7 698	8 120	7 951
Local Economic Development	Tourism			312	372		455					
Municipal Financial Viability and Management	To effectively manage the revenue and expenditure functions of the municipality			3 707	5 632	10 478	6 194	6 742	6 742	5 806	7 298	7 872
	To implement an effective system of budgeting and in year reporting procedures											
Good Governance and Public Participation	Council			17 551	19 886	5 167	25 220	25 693	25 693	29 319	31 648	34 159

Table 29 MBRR Table SA7 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

NC072 Umsobomvu - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)

Strategic Objective	Goal	Goal Code	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand												
Basic Services	Provision & maintenance of infrastructure & basic services	A										
		B										
	Housing	C										
	Water	D		15 568	689	27 432	44 777	44 777	44 777	57 557	44 302	52 129
	Sanitation	E					2 000	2 000	2 000			
	Refuse Removal	F		35 234			1 743	1 743	1 743			
	Electricity	G		6 373	5 062		61 170	21 170	21 170	3 300	3 000	2 000
			H									
Municipal Institutional Development and Transformation	Social Services	I		8 514	14	59	400	400	400	1 000		
		J										
Local Economic Development	Tourism	K		3 596	1 173							
Municipal Financial Viability and Management	To effectively manage the revenue and expenditure functions of the municipality	L										
		M										
	To implement an effective system of budgeting and in year reporting procedures	N										
		O										
Good Governance and Public Participation	Council	P		2 256	2 728	–	–	409	409			
			3									
Total Capital Expenditure			1	71 540	9 666	27 491	110 090	70 499	70 499	61 857	47 302	54 129

2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

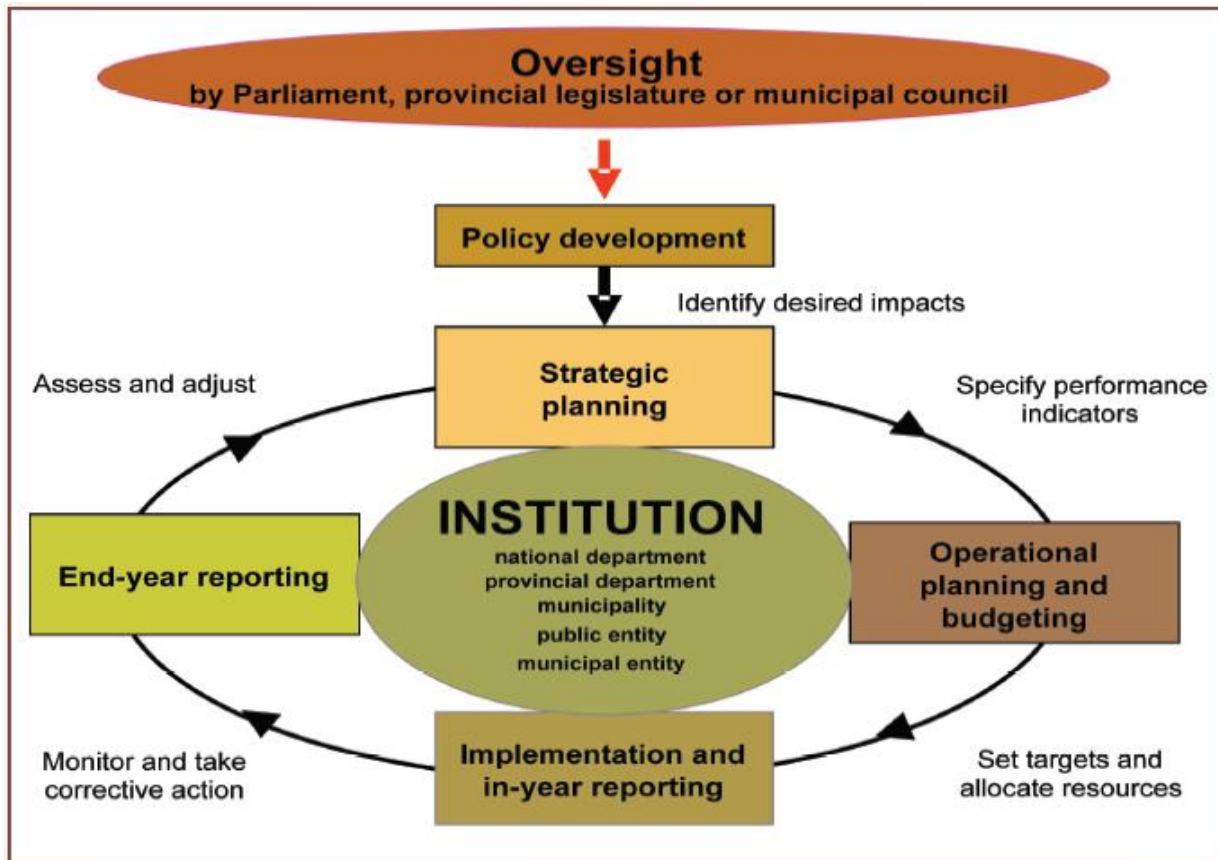


Figure 4 Planning, budgeting and reporting cycle

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);

- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the ***Framework of Managing Programme Performance Information*** issued by the National Treasury:

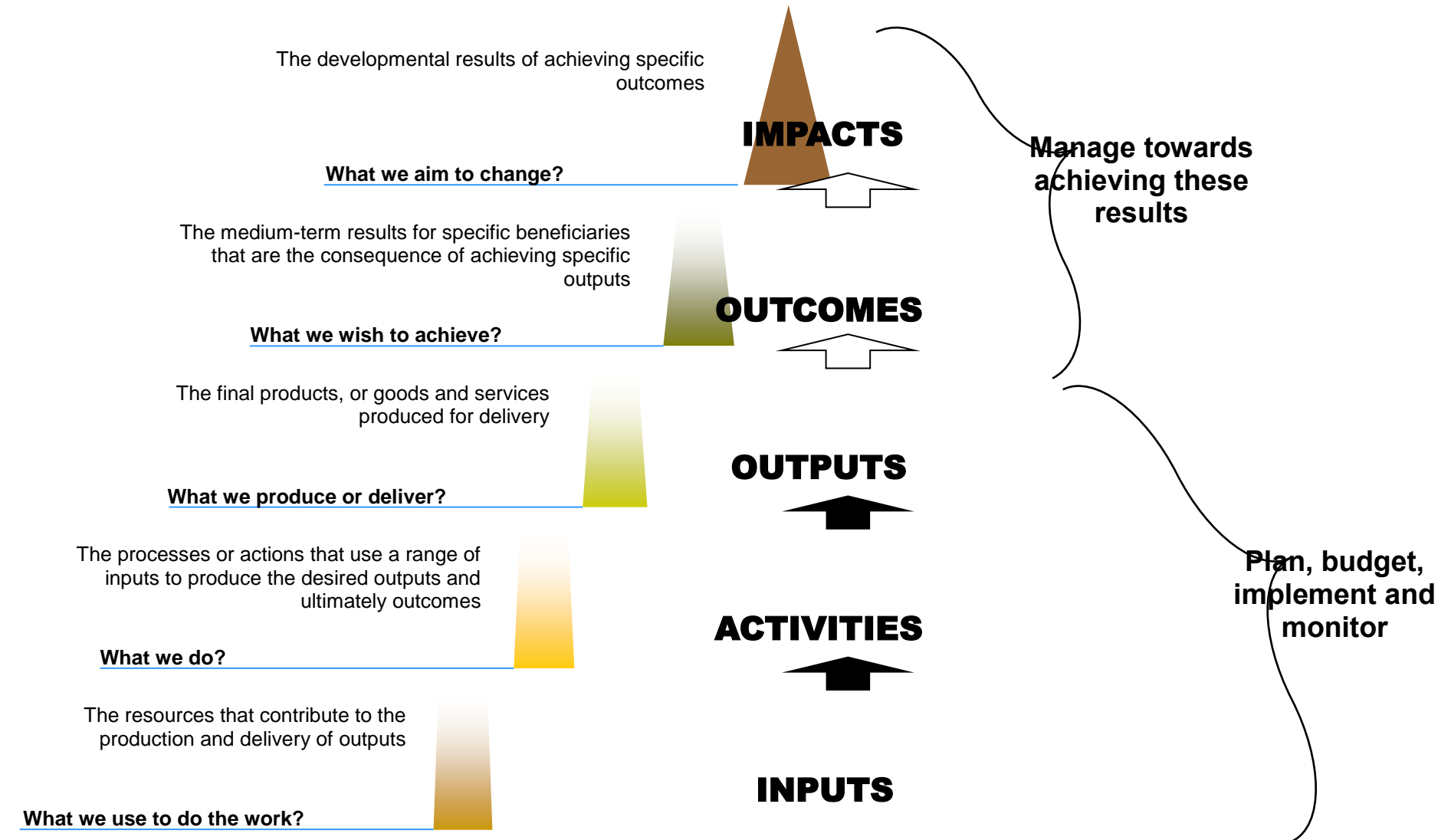


Figure 5 Definition of performance information concepts

The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

Table 30 MBRR Table SA7 - Measurable performance objectives

NC072 Umsobomvu - Supporting Table SA7 Measureable performance objectives

Description	Unit of measurement
Public Works: Roads and Stormwater	
Roads	
Eradication of Backlogs	
<i>Reduce Roads Backlogs</i>	kilometers
Roads Maintained	
<i>Surfaced Roads resurfaced/rehabilitated</i>	Kilometers
Roads for Growth	
<i>New roads to be constructed</i>	Kilometer
Stormwater	
Eradication of Backlogs	
<i>Stormwater drainage to reduce Backlogs</i>	Kilometers
Stormwater for growth	
<i>Stormwater drainage to stimulate growth</i>	Kilometers
Water & Sanitation	
Water	
Eradication of water backlogs	
<i>Households provided with a water connection</i>	number of households
New bulk water pipelines	meters
New internal water pipelines	meters
New internal water pipelines	meters
Maintenance of water infrastructure	
<i>Upgrade & Replace of bulk water pipelines</i>	meters
<i>Upgrade & Replace of internal water pipelines</i>	meters
Sanitation	
Eradication of backlogs	
<i>Households provided with Sanitation connection</i>	number of households
New bulk sewer pipelines	meters
Maintenance of Sanitation infrastructure	
<i>Upgrade and replace of bulk sewer lines</i>	meters
<i>Upgrade & replace of internal sewer lines</i>	meters
Energy and Electricity	
Electricity	
Provide higher levels of electricity	
<i>Houses electrified to eradicate backlogs</i>	number of households
New connections	
<i>Completed and occupied houses electrified to cater for growth</i>	number of households
Access to alternative energy sources	
<i>Areas provided with access to alternative energy sources</i>	number of households
Street lighting	
Provide public lightning	
<i>New street lights per ward</i>	wards
Provide public lightning	
<i>High mast lights per ward</i>	wards

The following table sets out the municipalities main performance objectives and benchmarks for the 2011/12 MTREF.

Table 31 MBRR Table SA8 - Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<u>Borrowing Management</u>										
Credit Rating										
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	-6.4%	0.9%	1.5%	4.8%	6.0%	0.0%	1.8%	1.5%	1.5%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	-10.1%	2.4%	2.8%	8.1%	10.1%	-0.1%	3.0%	2.7%	2.6%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.0%	0.0%	100.0%	92.8%	94.8%	0.0%	0.0%	0.0%
<u>Safety of Capital</u>										
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Liquidity</u>										
Current Ratio	Current assets/current liabilities	2.1	0.6	0.9	4.2	1.4	4.1	2.3	3.6	5.0
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	2.1	0.6	0.9	4.2	1.4	4.1	2.3	3.6	5.0
Liquidity Ratio	Monetary Assets/Current Liabilities	0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.2
<u>Revenue Management</u>										
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		82.9%	0.0%	185.1%	98.9%	97.7%	0.0%	97.4%	97.2%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)			83.0%	0.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	87.4%	27.1%	22.6%	34.7%	11.0%	34.0%	17.2%	16.1%	15.2%
<u>Creditors Management</u>										
Creditors System Efficiency	% of Creditors Paid Within Terms (within 'MFMA' s 65(e))				98.0%	95.0%	95.0%	98.0%	98.0%	98.0%
Creditors to Cash and Investments		-211.3%	274.1%	49.8%	-39.4%	-45.5%	27.2%	15.7%	7.4%	4.4%
<u>Other Indicators</u>										
Employee costs	Employee costs/(Total Revenue - capital revenue)	39.6%	37.6%	31.1%	37.6%	37.7%	37.7%	38.3%	37.9%	37.6%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	43.6%	46.1%	37.6%	47.1%	46.2%	46.2%	38.5%	37.8%	37.6%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	2.8%	2.3%	2.8%	3.1%	2.8%	3.2%	3.4%	3.4%	3.4%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	41.8%	59.5%	43.7%	8.3%	11.3%	11.3%	4.6%	4.5%	4.6%
<u>IDP regulation financial viability indicators</u>										
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year	17.2	14.6	15.5	11.8	11.8	11.8	19.0	20.3	21.4
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	146.4%	45.5%	37.1%	64.0%	20.1%	62.0%	31.7%	29.9%	28.3%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	(0.8)	0.5	0.3	(0.4)	(0.4)	0.6	1.0	1.6	2.0

2.3.1 Performance indicators and benchmarks

2.3.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Umsobomvu Municipality's borrowing strategy is primarily informed by the affordability of debt repayments. The structure of the Municipality's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2011/12 MTREF:

- *Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing is only 3 per cent in 2012/13 and decrease to 2.6 per cent in 2014/15. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward as the Municipality has reached its prudential borrowing limits.
- *Borrowing funding of own capital expenditure* measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing. The average over MTREF is zero per cent which substantiates the above mentioned statement that the Municipality has reached its prudential borrowing limits.

The Municipality's debt profile provides some interesting insights on the Municipality's future borrowing capacity. Firstly, the use of amortising loans leads to high debt service costs at the beginning of the loan, which declines steadily towards the end of the loan's term.

The Municipality has raised mainly amortising loans over the past five years, hence effectively 'front-loading' its debt service costs. This is reflected in the Municipality's debt service profile, which predicts large debt service costs between 2012 and 2017. Debt service costs are expected to peak in 2017 due to the redemption of the last few term loans held by the Municipality.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the continued ability of the Municipality to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs. As part of the compilation of the 2012/13 MTREF the potential of smoothing out the debt profile over the longer term will be investigated.

2.3.1.2 Safety of Capital

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, overdraft and tax provisions as a percentage of funds and reserves.
- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves.

2.3.1.3 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of 1, hence at no point in time should this ratio be less than 1. For the 2012/13 MTREF the current ratio is 2.3 in the 2012/13 financial year and 3.6 and 5 for the two outer years of the MTREF. Going forward it will be necessary to maintain these levels.
- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2011/12 financial year the ratio was 0.1 and as part of the financial planning strategy it has been stabilized at 0.1 in the 2011/12 financial year. This needs to be considered a pertinent risk for the municipality as any under collection of revenue will translate into serious financial challenges for the Municipality. As part of the longer term financial planning objectives this ratio will have to be set at a minimum of 1.

2.3.1.4 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection.

2.3.1.5 Creditors Management

- The Municipality has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 100 per cent compliance rate to this legislative obligation. This has had a favourable impact on suppliers' perceptions of risk of doing business with the Municipality, which is expected to benefit the Municipality in the form of more competitive pricing of tenders, as suppliers compete for the Municipality's business.

2.3.1.6 Other Indicators

- Employee costs as a percentage of operating revenue continues to decrease over the MTREF. This is primarily owing to the high increase in bulk purchases which directly increase revenue levels, as well as increased allocation relating to operating grants and transfers.
- Similar to that of employee costs, repairs and maintenance as percentage of operating revenue is also decreasing owing directly to cost drivers such as bulk purchases increasing far above inflation. In real terms, repairs and maintenance has increased as part of the Municipality's strategy to ensure the management of its asset base.

2.3.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. With the exception of water, only registered indigents qualify for the free basic services.

For the 2012/13 financial year 3132 registered indigents have been provided for in the budget with this figured increasing to 3782 by 2013/14. In terms of the Municipality's indigent policy registered households are entitled to 6kl fee water, 50 kwh of electricity, sanitation and free waste removal equivalent to removal once a week, as well as a discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement) on page 44.

Note that the number of households in informal areas that receive free services and the cost of these services (e.g. the provision of water through stand pipes, water tankers, etc) are not taken into account in the table noted above.

2.3.3 Providing clean water and managing waste water

The Municipality is the Water Services Authority for the entire municipality in terms of the Water Services Act, 1997 and acts as water services provider. The total water supply of is extracted and treated by the municipality, from rivers and boreholes.

The Department of Water Affairs conducts an annual performance rating of water treatment works, presenting a Blue Drop or Green Drop award respectively to potable water treatment works and waste water treatment works that meet certain criteria of excellence.

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The following is briefly the main challenges facing the Municipality in this regard:

- The infrastructure at most of the waste water treatment works is old and insufficient to treat the increased volumes of waste water to the necessary compliance standard;
- Shortage of skilled personnel makes proper operations and maintenance difficult;
- Electrical power supply to some of the plants is often interrupted which hampers the purification processes; and
- There is a lack of proper regional catchment management, resulting in storm water entering the sewerage system.

The following are some of the steps that have been taken to address these challenges:

- Infrastructure shortcomings are being addressed through the capital budget in terms of a 5-year upgrade plan;
- The filling of vacancies has commenced and the Waste Water Division will embark on an in-house training programme, especially for operational personnel;
- The Electricity Division is to install dedicated power supply lines to the plants; and
- The Division is working in consultation with the Department of Water Affairs to address catchment management.

2.4 Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

2.4.1 Review of credit control and debt collection procedures/policies

The Collection Policy as approved by Council in October 2008 is currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

The 2012/13 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 95 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the Municipality's cash levels. In addition, a payment incentive scheme has been implemented and has delivered significant results in the recovery of older debt.

2.4.2 Asset Management, Infrastructure Investment and Funding Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the Municipality's revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual

depreciation. The Asset Management Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

2.4.3 Budget Adjustment Policy

The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the Municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

2.4.4 Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council in September 2007. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

2.4.5 Budget Policy

The Budget Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality's system of delegations. The Budget Policy was approved by Council in JULY 2011 and was amended on 16 February 2012 in respect of both Operating and Capital Budget Fund Transfers.

2.4.6 Cash Management and Investment Policy

The Municipality's Cash Management and Investment Policy was amended by Council in May 2011. The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduces time frames to achieve certain benchmarks.

2.4.7 Tariff Policies

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years.

2.4.8 Financial Modelling and Scenario Planning Policy

The Financial Modelling and Scenario Planning Policy has directly informed the compilation of the 2012/13 MTREF with the emphasis on affordability and long-term sustainability. The policy dictates the approach to longer term financial modelling. The outcomes are then filtered into the budget process. The model and scenario planning outcomes are taken to Council every November and then translate into recommendations for the budget guidelines that inform the compilation of the next MTREF. One of the salient features of the policy is the emphasis on financial sustainability. Amongst others, the following has been modelled as part of the financial modelling and scenario planning process:

- Approved 2011/12 Adjustments Budget;
- Cash Flow Management Interventions, Initiatives and Strategies (including the cash backing of reserves);
- Economic climate and trends (i.e Inflation, household debt levels, indigent factors, growth, recessionary implications);
- Loan and investment possibilities;
- Performance trends;
- Tariff Increases;
- The ability of the community to pay for services (affordability);
- Policy priorities;
- Improved and sustainable service delivery; and
- Debtor payment levels.

All the above policies are available on the Municipality's website, as well as the following budget related policies:

- Property Rates Policy;
- Funding and Reserves Policy;
- Borrowing Policy;
- Budget Policy; and
- Basic Social Services Package (Indigent Policy).

2.5 Overview of budget assumptions

2.5.1 External factors

Domestically, after five years of strong growth, during which about two million jobs were created, our economy shrank by an estimated 1.8 per cent last year and about 900 000 people lost their jobs. It is expected that recovery from this deterioration will be slow and uneven, and that growth for 2012 will be 2.7 per cent rising to 3.8 per cent by 2015.

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

2.5.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2012/13 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. Employee related costs comprise 38 per cent of total operating expenditure in the 2012/13 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget.

2.5.3 Credit rating outlook

No credit rating have been done by the Municipality

2.5.4 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The Municipality engages in a number of financing arrangements to minimise its interest rate costs and risk. However, for Umsobomvu Municipality the 2012/13 MTREF is based on the assumption that all borrowings are undertaken using fixed interest rates for amortisation-style loans requiring both regular principal and interest payments. As part of the compilation of the 2012/13 MTREF the potential of smoothing out the debt profile over the long term will be investigated.

2.5.5 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (90 per cent) of annual billings. Cash flow is assumed to be 90 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

2.5.6 Growth or decline in tax base of the municipality

Debtors revenue is assumed to increase at a rate that is influenced by the consumer debtors collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

2.5.7 Salary increases

The collective agreement regarding salaries/wages that came into operation on 1 July 2009 ends on 30 June 2012. The new agreement has not been reached and a provision of 7.5 per cent has been made..

2.5.8 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.5.9 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 97 per cent is achieved on operating expenditure and 98 per cent on the capital programme for the 2012/13 MTREF of which performance has been factored into the cash flow budget.

2.6 Overview of budget funding

2.6.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

Table 32 Breakdown of the operating revenue over the medium-term

Description R thousands	2011/12 Medium Term Revenue & Expenditure Framework					
	Budget Year 2011/12	%	Budget Year +1 2012/13	%	Budget Year +2 2013/14	%
Property rates	3,088,356	20%	3,440,147	20%	3,835,764	20%
Service charges	8,492,829	56%	9,866,101	58%	11,466,027	59%
Investment revenue	120,080	1%	64,139	0%	71,375	0%
Transfers recognised - operational	1,001,918	7%	1,118,355	7%	1,217,891	6%
Other own revenue	2,435,435	16%	2,608,992	15%	2,775,223	14%
Total Operating Revenue (excluding capital transfers and contributions)	15,138,618	100%	17,097,734	100%	19,366,281	100%
Total Operating Expenditure	14,679,924		16,538,558		18,813,187	
Surplus/(Deficit)	458,694		559,176		553,095	

The following graph is a breakdown of the operational revenue per main category for the 2011/12 financial year.

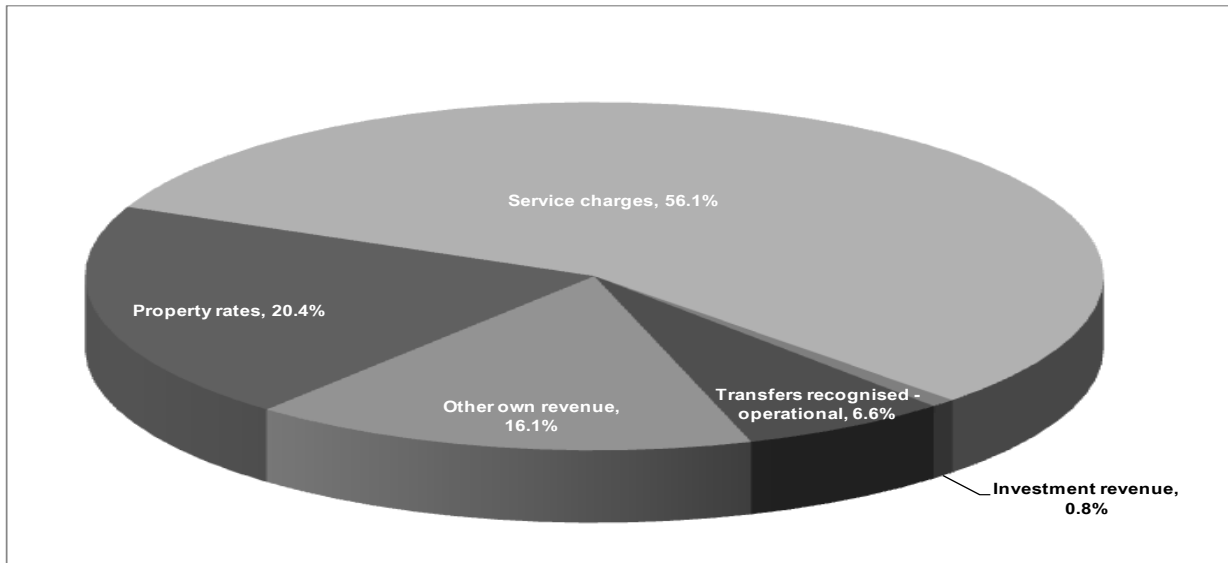


Figure 6 Breakdown of operating revenue over the 2011/12 MTREF

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives most of its operational revenue from the provision of goods and services such as water, electricity, sanitation and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

The revenue strategy is a function of key components such as:

- Growth in the Municipality and economic development;
- Revenue management and enhancement;
- Achievement of a 95 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

Table 33 MBRR SA15 – Detail Investment Information

Table 34 MBRR SA16 – Investment particulars by maturity

For the medium-term, the funding strategy has been informed directly by ensuring financial sustainability and continuity. The MTREF therefore provides for a budgeted surplus of R526 million, R628 million and R643 million in each of the financial years. This surplus is intended to partly fund capital expenditure from own sources as well as ensure adequate cash backing of reserves and funds.

2.6.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2011/12 medium-term capital programme:

Table 35 Sources of capital revenue over the MTREF

Vote Description R thousand			2011/12 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2011/12	%	Budget Year +1 2012/13	%	Budget Year +2 2013/14	%
Funded by:								
National Government	911,827		991,551		1,063,822		1,149,896	
Provincial Government	49,377		49,500		51,200		52,000	
Transfers recognised - capital	961,204	36%	1,041,051	40%	1,115,022	36%	1,201,896	41%
Public contributions & donations	27,751	1%	56,261	2%	49,741	2%	68,369	2%
Borrowing	1,051,000	39%	1,000,000	38%	1,000,000	32%	1,000,000	34%
Internally generated funds	636,978	24%	517,137	20%	971,351	31%	647,860	22%
Total Capital Funding	2,676,933	100%	2,614,449	100%	3,136,114	100%	2,918,125	100%

The above table is graphically represented as follows for the 2011/12 financial year.

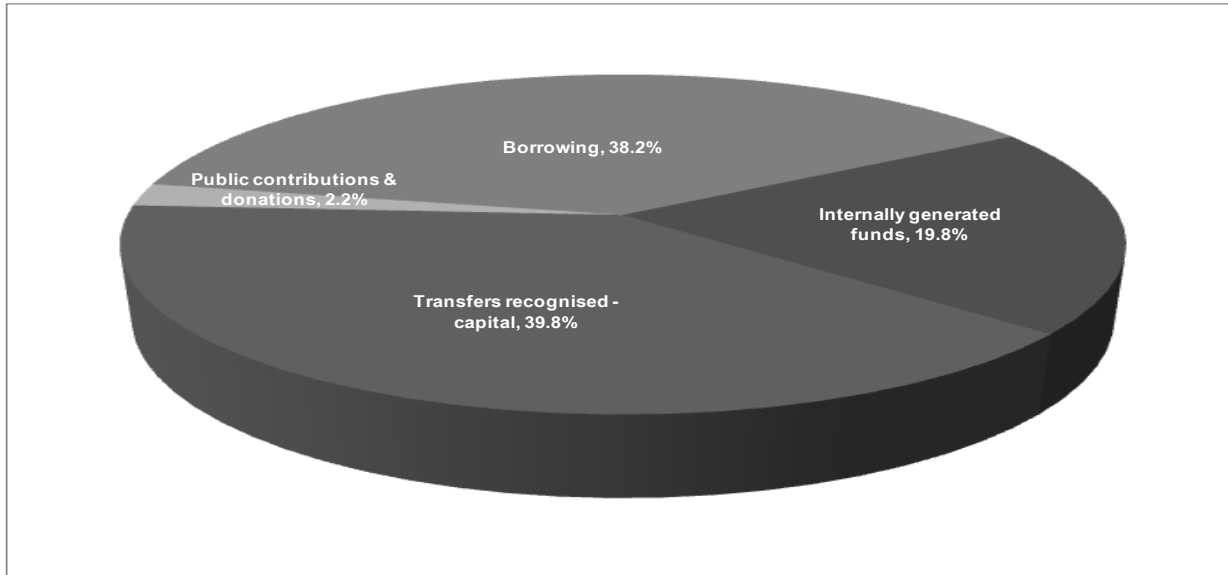


Figure 7 Sources of capital revenue for the 2011/12 financial year

Capital grants and receipts equates to 40 per cent of the total funding source which represents R1 million for the 2011/12 financial year and steadily increase to R1.2 million or 41 per cent by 2013/14. Growth relating to grant receipts is 8.3, 7.1 and 7.7 per cent over the medium-term.

Borrowing still remains a significant funding source for the capital programme over the medium-term with an estimated R1 million to be raised for each of the respective financial years totalling 38, 32 and 34 per cent of the total funding of the capital budget for each of the respective financial years of the MTREF. As explained earlier, the borrowing capacity of the Municipality has essentially reached its limits and going forward borrowing limits will remain constant.

The following table is a detailed analysis of the Municipality's borrowing liability.

Table 36 MBRR Table SA 17 - Detail of borrowings

The following graph illustrates the growth in outstanding borrowing for the 2007/08 to 2013/14 period.

Figure 8 Growth in outstanding borrowing (long-term liabilities)

Table 37 MBRR Table SA 18 - Capital transfers and grant receipts

Capital Transfers and Grants										
National Government:		–	14 575	19 573	105 347	65 347	65 347	60 857	47 337	54 129
Municipal Infrastructure Grant (MIG)			14 575	9 283	11 177	11 177	11 177	13 557	14 337	15 129
Regional Bulk Infrastructure				10 000	33 000	33 000	33 000	44 000	30 000	37 000
INEP				280	61 170	21 170	21 170	3 300	3 000	2 000
Other grant providers:		–	–	–	–	–	–	1 000	–	–
EPWP								1 000		
Total Capital Transfers and Grants	5	–	14 575	19 573	105 347	65 347	65 347	61 857	47 337	54 129

2.6.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

Table 38 MBRR Table A7 - Budget cash flow statement
NC072 Umsobomvu - Table A7 Budgeted Cash Flows

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand										
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Ratepayers and other	1	25 280	105 086	91 537	42 309	42 119	42 119	45 509	47 890	50 523
Government - operating					29 838	29 445	29 445	32 979	35 681	38 242
Government - capital	1				110 090	70 090	70 090	51 857	47 302	54 129
Interest		12	1 212	1 314	994	1 424	1 424	1 218	1 157	1 094
Dividends										
Payments										
Suppliers and employees		(16 655)	(94 434)	(64 488)	(180 594)	(140 594)	(140 594)	(75 784)	(79 646)	(85 072)
Finance charges		(271)	(378)	(187)	(1 644)	(1 644)	(1 644)	(488)	(391)	(303)
Transfers and Grants	1									
NET CASH FROM/(USED) OPERATING ACTIVITIES		8 366	11 486	28 176	993	841	841	55 291	51 993	58 612
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE										
Decrease (Increase) in non-current debtors										
Decrease (increase) other non-current receivables		(15)	(6)			409	409			
Decrease (increase) in non-current investments				(76)						
Payments										
Capital assets		(13 629)	(7 075)	(27 494)	(5 264)	(5 264)	(5 264)	(51 857)	(47 302)	(54 129)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(13 644)	(7 081)	(27 570)	(5 264)	(4 855)	(4 855)	(51 857)	(47 302)	(54 129)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans										
Borrowing long term/refinancing					5 264	5 264	5 264	-		
Increase (decrease) in consumer deposits										
Payments										
Repayment of borrowing		3 359	(561)	(1 188)	(2 202)	(2 204)	2 204	(1 419)	(1 308)	(1 335)
NET CASH FROM/(USED) FINANCING ACTIVITIES		3 359	(561)	(1 188)	3 062	3 060	7 468	(1 419)	(1 308)	(1 335)
NET INCREASE/ (DECREASE) IN CASH HELD										
Cash/cash equivalents at the year begin:	2	(1 919)	3 844	(582)	(1 208)	(954)	3 453	2 014	3 383	3 148
Cash/cash equivalents at the year end:	2	(1 919)	1 925	1 925	(694)	(694)	(694)	2 760	4 774	8 157
Cash/cash equivalents at the year end:	2	(1 919)	1 925	1 343	(1 902)	(1 648)	2 760	4 774	8 157	11 305

References

It can be seen that the cash levels of the Municipality increased significantly over the 2008/09 to 2011/12 period owing directly to a net increase in cash for the financial year of R2.76 million.

The approved 2012/13 MTREF provide for a further net increase in cash of R2 million for the 2012//13 financial year resulting in an overall projected positive cash position of R4.77million at year end.

2.6.4 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

Table 39 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation

NC072 Umsobomvu - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand										
Cash and investments available										
Cash/cash equivalents at the year end	1	(1 919)	1 925	1 343	(1 902)	(1 648)	2 760	4 774	8 157	11 305
Other current investments > 90 days		(1)	(3 228)	(2 444)	2 402	2 148	(2 260)	(4 274)	(7 657)	(10 805)
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-
Cash and investments available:		(1 920)	(1 303)	(1 101)	500	500	500	500	500	500
Application of cash and investments										
Unspent conditional transfers		351	6 700	7 848	2 000	2 000	2 000	2 000	2 000	1 000
Unspent borrowing		-	-	-	-	-	-	-	-	-
Statutory requirements	2									
Other working capital requirements	3	(29 569)	5 277	(31 565)	(24 064)	(44 793)	(23 247)	(12 578)	(12 696)	(12 797)
Other provisions										
Long term investments committed	4	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5									
Total Application of cash and investments:		(29 217)	11 978	(23 717)	(22 064)	(42 793)	(21 247)	(10 578)	(10 696)	(11 797)
Surplus(shortfall)		27 298	(13 280)	22 616	22 564	43 293	21 747	11 078	11 196	12 297

The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist. The outcome of this exercise would either be a surplus or

deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded". Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.

2.6.5 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

Table 40 MBRR SA10 – Funding compliance measurement

NC072 Umsobomvu Supporting Table SA10 Funding measurement

Description	MFMA section	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Funding measures											
Cash/cash equivalents at the year end - R'000	18(1)b	1	(1 919)	1 925	1 343	(1 902)	(1 648)	2 760	4 774	8 157	11 305
Cash + investments at the yr end less applications - R'000	18(1)b	2	27 298	(13 280)	22 616	22 564	5 518	21 747	11 078	11 196	12 297
Cash year end/monthly employee/supplier payments	18(1)b	3	(0.8)	0.5	0.3	(0.4)	(0.4)	0.6	1.0	1.6	2.0
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	64	(35 112)	2 157	110 090	70 501	70 501	62 033	47 576	53 859
Service charge rev % change - macro CPI target exclusive	18(1)a,(2)	5	N.A.	14.6%	37.2%	(22.5%)	(4.1%)	(6.0%)	2.1%	(0.2%)	(0.2%)
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	83.0%	0.0%	185.1%	98.9%	96.8%	96.8%	97.4%	97.2%	97.2%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Capital payments % of capital expenditure	18(1)c,19	8	19.1%	73.2%	100.0%	4.8%	7.5%	7.5%	83.8%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	0.0%	0.0%	100.0%	92.8%	94.8%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10							101.3%	101.9%	102.1%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	(62.9%)	15.7%	44.1%	(68.0%)	208.9%	70.4%	0.0%	0.0%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	(60.6%)	(41.4%)	(100.0%)	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	1.7%	0.4%	0.6%	0.5%	0.5%	0.5%	0.4%	0.4%	0.4%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

2.6.5.1 Cash/cash equivalent position

The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year. The forecasted cash and cash equivalents for the 2012/13 MTREF shows R4.8 million, R8.2 million and R11.3 million for each respective financial year.

2.6.5.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 25, on page 25. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

2.6.5.3 Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts. Notably, the ratio has been falling significantly for the period 2008/09 to 2011/12, moving from 0.8 to (0.6) with the adopted 2011/12 MTREF. As part of the 2012/13 MTREF the municipalities improving cash position causes the ratio to move upwards to 1.0 and then further to 2 for the outer years. As indicated above the Municipality aims to achieve at least one month's cash coverage in the medium term, and then gradually move towards two months coverage. This measure will have to be carefully monitored going forward.

2.6.5.4 Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term. For the 2012/13 MTREF the indicative outcome is a surplus of R62. million, R47.6 million and R53.8 million.

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

2.6.5.5 Property Rates/service charge revenue as a percentage increase less macro inflation target

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

The factor is calculated by deducting the maximum macro-economic inflation target increase (which is currently 3 - 6 per cent). The result is intended to be an approximation of the real increase in revenue. From the table above it can be seen that the percentage growth totals 2.4 8.9 and declines .2 per cent for the respective financial year of the 2012/13 MTREF. Considering the lowest percentage tariff increase in relation to revenue generated from rates and services charges is 5 per cent, with the increase in electricity at 11 per cent it is to be expected that the increase in revenue will exceed the inflation target figures. However, the outcome is lower than it might be due to the slowdown in the economy and a reduction in consumption patterns. This trend will have to be carefully monitored and managed with the implementation of the budget.

2.6.5.6 Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 97.4, 97.2 and 97.2 per cent for each of the respective financial years. Given that the assumed collection rate was based on a 95 per cent performance target, the cash flow statement has been conservatively determined. In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

2.6.5.7 Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 4.1, 4.0 and 4.0 per cent over the MTREF. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

2.6.5.8 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 2 per cent timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

2.6.5.9 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded. Further details relating to the borrowing strategy of the Municipality can be found on page 66.

2.6.5.10 Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers.

2.6.5.11 Consumer debtors change (Current and Non-current)

The purpose of these measures are to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend in line with the Municipality's policy of settling debtors accounts within 30 days.

2.6.5.12 Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. Details of the Municipality's strategy pertaining to asset management and repairs and maintenance is contained in Table 60 MBRR SA34C on page 90.

2.6.5.13 Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets. Further details in this regard are contained in Table 59 MBRR SA34b on page 89.

2.7 Expenditure on grants and reconciliations of unspent funds

Table 41 MBRR SA19 - Expenditure on transfers and grant programmes

NC072 Umsobomvu - Supporting Table SA19 Expenditure on transfers and grant programme

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand										
EXPENDITURE:	1									
Operating expenditure of Transfers and Grants										
National Government:		1 797	2 367	27 432	29 466	29 466	29 466	31 164	33 472	35 753
Local Government Equitable Share		14 057	18 948	27 432	26 638	26 638	26 638	28 074	30 067	32 298
Finance Management		250	1 005		1 450	1 450	1 450	1 500	1 750	1 750
Municipal Systems Improvement		735	1 049		790	790	790	800	900	950
Water Services Operating Subsidy										
MIG PMU		812	314		588	588	588	790	755	755
Provincial Government:		-	-	-	389	389	389	570	628	628
Library					389	389	389	570	628	628
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total operating expenditure of Transfers and Grants		1 797	2 367	27 432	29 855	29 855	29 855	31 734	34 100	36 381
Capital expenditure of Transfers and Grants										
National Government:		-	10 603	-	105 347	65 347	65 347	61 857	47 337	54 129
Municipal Infrastructure Grant (MIG)		-	10 603		11 177	11 177	11 177	13 557	14 337	15 129
Regional Bulk Infrastructure					33 000	33 000	33 000	44 000	30 000	37 000
INEP					61 170	21 170	21 170	3 300	3 000	2 000
Provincial Government:		-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]										
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total capital expenditure of Transfers and Grants		-	10 603	-	105 347	65 347	65 347	61 857	47 337	54 129
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		1 797	12 971	27 432	135 202	95 202	95 202	93 591	81 437	90 510

Table 42 MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds

NC072 Umsobomvu - Supporting Table SA20 Reconciliation of transfers, grant receipts and unspent funds

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand										
Operating transfers and grants:	1,3									
National Government:										
Balance unspent at beginning of the year								-		
Current year receipts				27 432	28 923	28 923	28 923	32 409	35 053	37 614
Conditions met - transferred to revenue		-	-	27 432	28 923	28 923	28 923	32 409	35 053	37 614
Conditions still to be met - transferred to liabilities										
Provincial Government:										
Balance unspent at beginning of the year										
Current year receipts					522	522	522	570	628	628
Conditions met - transferred to revenue		-	-	-	522	522	522	570	628	628
Conditions still to be met - transferred to liabilities										
District Municipality:										
Balance unspent at beginning of the year								-		
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
Other grant providers:										
Balance unspent at beginning of the year								-		
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
Total operating transfers and grants revenue		-	-	27 432	29 445	29 445	29 445	32 979	35 681	38 242
Total operating transfers and grants - CTBM	2	-	-	-	-	-	-	-	-	-
Capital transfers and grants:	1,3									
National Government:										
Balance unspent at beginning of the year								-		
Current year receipts				27 432	11 177	11 177	11 177	61 857	47 337	54 129
Conditions met - transferred to revenue		-	-	27 432	11 177	11 177	11 177	61 857	47 337	54 129
Conditions still to be met - transferred to liabilities										
Provincial Government:										
Balance unspent at beginning of the year										
Current year receipts					93 650	53 650	53 650			
Conditions met - transferred to revenue		-	-	-	93 650	53 650	53 650	-	-	-
Conditions still to be met - transferred to liabilities										
District Municipality:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
Other grant providers:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
Total capital transfers and grants revenue		-	-	27 432	104 827	64 827	64 827	61 857	47 337	54 129
Total capital transfers and grants - CTBM	2	-	-	-	-	-	-	-	-	-
TOTAL TRANSFERS AND GRANTS REVENUE		-	-	54 864	134 272	94 272	94 272	94 836	83 018	92 371
TOTAL TRANSFERS AND GRANTS - CTBM		-	-	-	-	-	-	-	-	-

2.8 Councillor and employee benefits

Table 43 MBRR SA22 - Summary of councillor and staff benefits

Summary of Employee and Councillor remuneration	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
	A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)									
Basic Salaries and Wages	1 850	1 656	1 682	2 261	1 978	2 258	2 115	2 221	2 332
Pension and UIF Contributions									
Medical Aid Contributions									
Motor Vehicle Allowance				439	280		153		
Cellphone Allowance		462	536	130	125	125	114	119	125
Housing Allowances									
Other benefits and allowances									
Sub Total - Councillors	1 850	2 119	2 218	2 831	2 384	2 383	2 382	2 340	2 457
% increase		14.5%	4.7%	27.6%	(15.8%)	(0.0%)	(0.0%)	(1.8%)	5.0%
Senior Managers of the Municipality									
Basic Salaries and Wages		1 986	2 185	3 584	3 584	3 584	2 803	2 944	3 091
Pension and UIF Contributions		6	6						
Medical Aid Contributions									
Overtime									
Performance Bonus		172	168						
Motor Vehicle Allowance		408	422	282	282	282	440	462	501
Cellphone Allowance									
Housing Allowances							39	41	42
Other benefits and allowances		15							
Payments in lieu of leave									
Long service awards									
Post-retirement benefit obligations									
Sub Total - Senior Managers of Municipality	–	2 587	2 781	3 867	3 867	3 867	3 282	3 447	3 634
% increase		–	7.5%	39.0%	–	–	(15.1%)	5.0%	5.4%
Other Municipal Staff									
Basic Salaries and Wages	12 678	14 898	16 507	20 061	20 464	20 465	17 284	18 567	19 578
Pension and UIF Contributions	2 146	2 549	2 942	2 789	2 982	2 982	3 767	3 885	4 112
Medical Aid Contributions	1 672	1 148	1 280	571	592	592	939	984	1 044
Overtime	80	648	853	623	831	831	795	834	861
Performance Bonus	829			1 704	1 714	1 714	1 784	1 874	1 971
Motor Vehicle Allowance	935	1 060	1 074	564	496	496	70	73	214
Cellphone Allowance									
Housing Allowances		67	56	25	50	49	14	15	16
Other benefits and allowances			635	1 007	355	355	352	67	70
Payments in lieu of leave		506	540						
Long service awards									
Post-retirement benefit obligations									
Sub Total - Other Municipal Staff	18 340	20 876	23 887	27 344	27 483	27 483	25 005	26 299	27 867
% increase		13.8%	14.4%	14.5%	0.5%	(0.0%)	(9.0%)	5.2%	6.0%
Total Parent Municipality	20 190	25 582	28 886	34 042	33 734	33 733	30 669	32 086	33 958
		26.7%	12.9%	17.8%	(0.9%)	(0.0%)	(9.1%)	4.6%	5.8%
TOTAL SALARY, ALLOWANCES & BENEFITS	20 190	25 582	28 886	34 042	33 734	33 733	30 669	32 086	33 958
% increase		26.7%	12.9%	17.8%	(0.9%)	(0.0%)	(9.1%)	4.6%	5.8%
TOTAL MANAGERS AND STAFF	18 340	23 464	26 668	31 211	31 350	31 350	28 287	29 746	31 501

Table 44 MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)

Disclosure of Salaries, Allowances & Benefits 1.	Ref	No.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum				1.				2.
Councillors	3							
Speaker	4							-
Chief Whip								-
Executive Mayor			459 791		153 264			613 055
Deputy Executive Mayor								-
Executive Committee								-
Total for all other councillors			1 655 244		113 662			1 768 906
Total Councillors	8	-	2 115 035	-	266 926			2 381 961
Senior Managers of the Municipality	5							
Municipal Manager (MM)			748 088		144 319			892 407
Chief Finance Officer			567 088		146 838			713 926
Manager Corporate services			599 374		110 126			709 500
Technical Manager			636 526		77 400			713 926
Total Senior Managers of the Municipality	8	-	2 551 076	-	478 683	-		3 029 759
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION		-	4 666 111	-	745 609	-		5 411 720

Table 45 MBRR SA24 – Summary of personnel numbers

Summary of Personnel Numbers		2010/11			Current Year 2011/12			Budget Year 2012/13		
Number	Ref	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities										
Councillors (Political Office Bearers plus Other Councillors)		10	10	10	10	10	10	10	10	10
Board Members of municipal entities	4									
Municipal employees	5									
Municipal Manager and Senior Managers	3	4	–	4	4	–	4	4	–	4
Other Managers	7									
Professionals		183	174	9	188	179	9	205	196	10
Finance		27	22	5	29	25	4	32	28	5
Spatial/town planning										
Information Technology										
Roads		38	38	–	44	44	–	44	44	–
Electricity		6	6	–	6	6	–	6	6	–
Water		18	18	–	19	19	–	19	19	–
Sanitation		11	11	–	11	11	–	13	13	–
Refuse		20	20	–	20	20	–	25	25	–
Other		63	59	4	59	54	5	66	61	5
Technicians		2	2	–	2	2	–	2	2	–
Finance										
Spatial/town planning										
Information Technology										
Roads										
Electricity										
Water		1	1		1	1		1	1	
Sanitation										
Refuse		1	1		1	1		1	1	
Other										
Clerks (Clerical and administrative)										
Service and sales workers										
Skilled agricultural and fishery workers										
Craft and related trades										
Plant and Machine Operators										
Elementary Occupations										
TOTAL PERSONNEL NUMBERS		199	186	23	204	191	23	221	208	24
% increase					2.5%	2.7%	–	8.3%	8.9%	4.3%
Total municipal employees headcount	6									
Finance personnel headcount	8							33	33	33
Human Resources personnel headcount	8							2	2	2

2.9 Monthly targets for revenue, expenditure and cash flow

Table 46 MBRR SA25 - Budgeted monthly revenue and expenditure

NC072 Umsobomvu - Supporting Table SA25 Budgeted monthly revenue and expenditure

Description		Ref	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework		
R thousand			July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Revenue By Source																	
Property rates			721	313	313	313	313	313	313	313	313	313	313	301	4 152	3 788	3 981
Property rates - penalties & collection charges			25	25	25	25	25	25	25	25	25	25	25	25	300	315	331
Service charges - electricity revenue			2 582	3 178	2 580	1 400	1 490	1 490	1 403	1 410	1 272	1 020	1 020	1 020	19 865	21 259	22 521
Service charges - water revenue			506	506	506	506	1 013	1 013	1 013	1 013	506	506	506	506	8 103	8 289	8 674
Service charges - sanitation revenue			476	476	476	476	476	476	476	476	476	476	476	476	5 712	5 216	5 482
Service charges - refuse revenue			387	387	387	387	387	387	387	387	387	387	387	387	4 639	5 721	5 992
Service charges - other														370	370	1 055	1 303
Rental of facilities and equipment			5	5	5	5	5	5	5	5	5	5	5	4	57	60	63
Interest earned - external investments			1	1	1	2	2	1	2	2	2	2	2	1	18	19	19
Interest earned - outstanding debtors			100	100	100	100	100	100	100	100	100	100	100	100	1 200	1 138	1 074
Dividends received														-	-	-	-
Fines			100	100	100	100	100	150	50	891	80	80	80	60	1 891	1 987	2 089
Licences and permits			35	35	35	35	35	35	35	35	35	35	35	35	420	442	464
Agency services														-	-	-	-
Transfers recognised - operational			12 863		570		9 773			9 773				-	32 979	35 681	38 242
Other revenue														-	-	-	-
Gains on disposal of PPE														-	-	-	-
Total Revenue (excluding capital transfers and contributions)			17 801	5 126	5 098	3 348	13 718	3 994	3 808	4 656	12 974	2 949	2 949	3 284	79 706	84 970	90 234
Expenditure By Type																	
Employee related costs			2 543	2 543	2 543	2 543	2 543	2 543	2 543	2 543	2 543	2 543	2 543	2 543	30 516	32 240	33 959
Remuneration of councillors			194	194	194	194	194	194	194	194	194	194	194	194	2 330	2 447	2 569
Debt impairment														-	-	-	-
Depreciation & asset impairment			305	305	305	305	305	305	305	305	305	305	305	305	3 657	3 835	4 132
Finance charges														-	-	-	-
Bulk purchases														15 196	15 196	17 231	19 539
Other materials														-	-	-	-
Contracted services														652	652	686	721
Transfers and grants														-	-	-	-
Other expenditure														27 178	27 178	28 259	29 584
Loss on disposal of PPE														-	-	-	-
Total Expenditure			3 042	3 042	3 042	3 042	3 042	3 042	3 042	3 042	3 042	3 042	3 042	46 068	79 530	84 697	90 504
Surplus/(Deficit)			14 759	2 084	2 056	306	10 676	952	766	1 614	9 932	(93)	(93)	(42 783)	176	273	(270)
Transfers recognised - capital														61 857	61 857	47 302	54 129
Contributions recognised - capital														-	-	-	-
Contributed assets														-	-	1	-
Surplus/(Deficit) after capital transfers & contributions			14 759	2 084	2 056	306	10 676	952	766	1 614	9 932	(93)	(93)	19 074	62 033	47 576	53 859
Taxation														-	-	-	-
Attributable to minorities														-	-	-	-
Share of surplus/ (deficit) of associate														-	-	-	-
Surplus/(Deficit)	1		14 759	2 084	2 056	306	10 676	952	766	1 614	9 932	(93)	(93)	19 074	62 033	47 576	53 859

Table 47 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

NC072 Umsobomvu - Supporting Table SA26 Budgeted monthly revenue and expenditure (municipal vote)															
Description	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework		
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Revenue by Vote															
Vote 1 - Executive & Council	9 773				9 773				9 773			-	29 319	31 648	34 159
Vote 2 - Finance & Administration	2 671	371	371	371	371	371	371	371	371	371	371	600	6 982	7 571	7 872
Vote 3 - Community Services	659	659	659	659	659	659	659	659	659	659	659	449	7 698	8 120	8 501
Vote 4 - Technical Services	3 260	2 899	2 899	2 899	2 899	2 899	2 899	2 899	2 899	2 899	2 899	65 317	97 564	84 933	93 832
Total Revenue by Vote	16 363	3 929	3 929	3 929	13 702	3 929	3 929	3 929	13 702	3 929	3 929	66 365	141 563	132 272	144 363
Expenditure by Vote to be appropriated															
Vote 1 - Executive & Council	1 299	1 299	1 299	1 299	1 299	1 299	1 299	1 299	1 299	1 299	1 299	1 299	15 583	15 748	16 530
Vote 2 - Finance & Administration	1 233	1 233	1 233	1 233	1 233	1 233	1 233	1 233	1 233	1 233	1 233	2 524	16 087	17 189	18 061
Vote 3 - Community Services	1 006	1 006	1 006	1 006	1 006	1 006	1 006	1 006	1 006	1 006	1 006	(285)	10 781	11 533	12 067
Vote 4 - Technical Services	3 090	3 090	3 090	3 090	3 090	3 090	3 090	3 090	3 090	3 090	3 090	3 088	37 078	40 227	43 847
Total Expenditure by Vote	6 628	6 628	6 628	6 628	6 628	6 628	6 628	6 628	6 628	6 628	6 628	6 626	79 530	84 697	90 504
Surplus/(Deficit)	9 736	(2 699)	(2 699)	(2 699)	7 074	(2 699)	(2 699)	(2 699)	7 074	(2 699)	(2 699)	59 739	62 033	47 576	53 859

Table 48 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)

NC072 Umsobomvu - Supporting Table SA27 Budgeted monthly revenue and expenditure (standard classification)

Description	Ref	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand																
Revenue - Standard																
<i>Governance and administration</i>		12 444	371	371	371	10 194	371	371	371	10 144	371	371	403	36 155	39 065	41 869
Executive and council		9 773				9 773				9 773				29 319	31 648	34 159
Budget and treasury office		2 300				50							32	2 382	2 736	2 790
Corporate services		371	371	371	371	371	371	371	371	371	371	371	371	4 454	4 681	4 920
<i>Community and public safety</i>		441	441	1 011	441	441	441	441	441	441	441	441	(129)	5 294	5 313	5 256
Community and social services		125	125	695	125	125	125	125	125	125	125	125	(445)	1 495	1 627	1 645
Sport and recreation																
Public safety		317	317	317	317	317	317	317	317	317	317	317	317	3 799	3 686	3 610
Housing																
Health																
<i>Economic and environmental services</i>		89	89	89	89	89	89	89	89	89	89	89	89	1 068	254	76
Planning and development															182	
Road transport		89	89	89	89	89	89	89	89	89	89	89	89	1 068	72	76
Environmental protection																
<i>Trading services</i>		8 731	3 573	3 573	8 441	8 441	3 873	3 873	3 873	3 373	3 373	3 373	46 795	101 289	90 081	99 631
Electricity		1 981	1 981	1 981	1 981	1 981	1 981	1 981	1 981	1 981	1 981	1 981	1 981	23 766	24 871	25 566
Water		5 858	700	700	5 568	5 568	1 000	1 000	1 000	500	500	500	43 922	66 817	53 958	62 239
Waste water management		493	493	493	493	493	493	493	493	493	493	493	493	5 913	6 214	6 531
Waste management		399	399	399	399	399	399	399	399	399	399	399	399	4 793	5 038	5 295
<i>Other</i>																
Total Revenue - Standard		21 705	4 474	5 044	9 342	19 165	4 774	4 774	4 774	14 047	4 274	4 274	47 159	143 805	134 712	146 831
Expenditure - Standard																
<i>Governance and administration</i>		2 531	2 531	2 531	2 531	2 531	2 531	2 531	2 531	2 531	2 531	2 531	2 531	30 374	31 540	33 085
Executive and council		1 299	1 299	1 299	1 299	1 299	1 299	1 299	1 299	1 299	1 299	1 299	1 299	15 583	15 747	16 530
Budget and treasury office		769	769	769	769	769	769	769	769	769	769	769	769	9 233	10 027	10 511
Corporate services		463	463	463	463	463	463	463	463	463	463	463	463	5 558	5 766	6 044
<i>Community and public safety</i>		631	631	631	631	631	631	631	631	631	631	631	631	7 574	8 013	8 457
Community and social services		332	332	332	332	332	332	332	332	332	332	332	332	3 986	4 225	4 477
Sport and recreation		94	94	94	94	94	94	94	94	94	94	94	94	1 129	1 204	1 264
Public safety		169	169	169	169	169	169	169	169	169	169	169	169	2 025	2 129	2 237
Housing		36	36	36	36	36	36	36	36	36	36	36	36	434	456	479
Health																
<i>Economic and environmental services</i>		492	492	492	492	492	492	492	492	492	492	492	492	5 898	6 189	6 498
Planning and development																
Road transport		492	492	492	492	492	492	492	492	492	492	492	492	5 898	6 189	6 498
Environmental protection																
<i>Trading services</i>		2 974	2 974	2 974	2 974	2 974	2 974	2 974	2 974	2 974	2 974	2 974	2 974	35 683	38 955	42 464
Electricity		1 573	1 573	1 573	1 573	1 573	1 573	1 573	1 573	1 573	1 573	1 573	1 573	18 881	21 164	23 744
Water		623	623	623	623	623	623	623	623	623	623	623	623	7 479	7 851	8 333
Waste water management		402	402	402	402	402	402	402	402	402	402	402	402	4 820	5 024	5 271
Waste management		375	375	375	375	375	375	375	375	375	375	375	375	4 503	4 916	5 115
<i>Other</i>																
Total Expenditure - Standard		6 627	6 627	6 627	6 627	6 627	6 627	6 627	6 627	6 627	6 627	6 627	6 627	79 530	84 697	90 504
Surplus/(Deficit) before assoc.		15 078	(2 154)	(1 584)	2 715	12 538	(1 854)	(1 854)	(1 854)	7 419	(2 354)	(2 354)	40 531	64 276	50 015	56 327
Share of surplus/ (deficit) of associate																
Surplus/(Deficit)	1	15 078	(2 154)	(1 584)	2 715	12 538	(1 854)	(1 854)	(1 854)	7 419	(2 354)	(2 354)	40 531	64 276	50 015	56 327

Table 49 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)

NC072 Umsobomvu - Supporting Table SA28 Budgeted monthly capital expenditure (municipal vote)																										
Description	Ref	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework												
R thousand		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15										
Multi-year expenditure to be appropriated	1																									
Vote 1 - Executive & Council													-	-	-	-										
Vote 2 - Finance & Administration													-	-	-	-										
Vote 3 - Community Services													-	-	-	-										
Vote 4 - Technical Services		4 500	4 500	4 500	4 500	4 500	4 500	6 000	6 000	6 000	6 000	6 000	4 857	61 857	47 302	54 129										
Capital multi-year expenditure sub-total	2	4 500	4 500	4 500	4 500	4 500	4 500	6 000	6 000	6 000	6 000	6 000	4 857	61 857	47 302	54 129										

Table 50 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)

NC072 Umsobomvu - Supporting Table SA29 Budgeted monthly capital expenditure (standard classification)

Description	Ref	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Capital Expenditure - Standard	1															
<i>Governance and administration</i>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Executive and council														-	-	-
Budget and treasury office														-	-	-
Corporate services														-	-	-
<i>Community and public safety</i>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community and social services														-	-	-
Sport and recreation														-	-	-
Public safety														-	-	-
Housing														-	-	-
Health														-	-	-
<i>Economic and environmental services</i>		-	100	100	100	100	100	-	100	100	100	100	100	1 000	-	-
Planning and development														-	-	-
Road transport			100	100	100	100	100		100	100	100	100	100	1 000	-	-
Environmental protection														-	-	-
<i>Trading services</i>		4 500	4 400	4 400	4 400	4 400	4 400	6 000	5 900	5 900	5 900	5 900	4 757	60 857	47 302	54 129
Electricity									1 000	1 000	1 300			3 300	3 000	2 000
Water		4 500	4 400	4 400	4 400	4 400	4 400	6 000	4 900	4 900	4 600	5 900	4 757	57 557	44 302	52 129
Waste water management														-	-	-
Waste management														-	-	-
<i>Other</i>														-	-	-
Total Capital Expenditure - Standard	2	4 500	4 500	4 500	4 500	4 500	4 500	6 000	6 000	6 000	6 000	6 000	4 857	61 857	47 302	54 129

Table 51 MBRR SA30 - Budgeted monthly cash flow

NC072 Umsobomvu - Supporting Table SA30 Budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Cash Receipts By Source													1		
Property rates	721	262	302	302	302	302	302	302	302	302	302	(96)	3 604	3 788	3 981
Property rates - penalties & collection charges	45	16	22	22	22	22	22	22	22	22	22	(33)	225	315	332
Service charges - electricity revenue	2 529	3 113	2 580	1 400	1 459	1 459	1 403	1 410	1 272	943	1 020	866	19 455	20 807	22 435
Service charges - water revenue	428	430	430	430	850	760	760	1 013	430	430	430	410	6 803	7 150	7 515
Service charges - sanitation revenue	397	476	476	476	476	476	476	476	476	476	476	(395)	4 762	5 005	5 260
Service charges - refuse revenue	334	387	387	387	387	387	387	387	387	387	387	(196)	4 008	4 212	4 427
Service charges - other												-			
Rental of facilities and equipment	5	5	5	5	5	5	5	5	5	5	5	5	57	60	63
Interest earned - external investments	1	1	1	2	2	1	2	2	2	2	2	1	18	19	19
Interest earned - outstanding debtors	10	10	10	10	10	10	10	10	10	10	10	10	120	126	133
Dividends received												-			
Fines	100	100	100	100	100	150	50	891	80	80	80	60	1 891	1 987	2 089
Licences and permits	35	35	35	35	35	35	35	35	35	35	35	35	420	430	440
Agency services												-			
Transfer receipts - operational	12 863		570		9 773				9 773				32 979	35 681	38 242
Other revenue												440	440	450	460
Cash Receipts by Source	17 467	4 835	4 918	3 169	13 421	3 607	3 451	4 552	12 794	2 692	2 769	1 107	74 782	80 031	85 396
Other Cash Flows by Source															
Transfer receipts - capital	20 619				20 619				20 619			-	61 857	47 302	54 129
Contributions recognised - capital & Contributed assets												-			
Proceeds on disposal of PPE												-			
Short term loans												-			
Borrowing long term/refinancing												-			
Increase (decrease) in consumer deposits												-			
Decrease (increase) in non-current debtors												-			
Decrease (increase) other non-current receivables												-			
Decrease (increase) in non-current investments												-			
Total Cash Receipts by Source	38 086	4 835	4 918	3 169	34 040	3 607	3 451	4 552	33 413	2 692	2 769	1 107	136 639	127 333	139 524
Cash Payments by Type															
Employee related costs	2 543	2 543	2 543	2 543	2 543	2 543	2 543	2 543	2 543	2 543	2 543	2 543	30 516	32 239	33 959
Remuneration of councillors	194	194	194	194	194	194	194	194	194	194	194	194	2 330	2 447	2 569
Finance charges	70	70	116	70	70	70	70	70	70	70	70	116	931		
Bulk purchases - Electricity	1 208	1 634	1 453	1 201	1 274	1 039	1 198	1 153	1 105	1 181	1 202	1 239	14 888	16 898	19 179
Bulk purchases - Water & Sewer	10	12	17	19	46	52	62	26	19	17	18	10	309	333	360
Other materials												-			
Contracted services	54	54	54	54	54	54	54	54	54	54	54	54	652	666	700
Transfers and grants - other municipalities												-			
Transfers and grants - other												-			
Other expenditure	2 123	2 339	2 123	2 350	2 123	2 123	2 123	2 844	2 123	2 844	2 123	2 183	27 418	28 789	30 228
Cash Payments by Type	6 202	6 847	6 500	6 432	6 304	6 075	6 244	6 884	6 108	6 903	6 204	6 339	77 043	81 372	86 996
Other Cash Flows/Payments by Type															
Capital assets	4 500	4 500	4 500	4 500	4 500	4 500	6 000	6 000	6 000	6 000	6 000	4 857	61 857	47 302	54 129
Repayment of borrowing	41	41	41	41	41	41	41	41	41	41	41	41	488	389	293
Other Cash Flows/Payments												-			
Total Cash Payments by Type	10 743	11 388	11 041	10 973	10 845	10 616	12 285	12 925	12 149	12 944	12 245	11 237	139 389	129 064	141 417
NET INCREASE/DECREASE IN CASH HELD	27 343	(6 552)	(6 123)	(7 804)	23 195	(7 009)	(8 833)	(8 373)	21 264	(10 252)	(9 476)	(10 130)	(2 750)	(1 731)	(1 893)
Cash/cash equivalents at the month/year begin:	2 760	30 103	23 550	17 427	9 623	32 818	25 809	16 976	8 603	29 867	19 616	10 140	2 760	10	(1 721)
Cash/cash equivalents at the month/year end:	30 103	23 550	17 427	9 623	32 818	25 809	16 976	8 603	29 867	19 616	10 140	10	10	(1 721)	(3 613)

2.10 Annual budgets and SDBIPs – internal departments

The draft SDBIP is attached

2.11 Contracts having future budgetary implications

In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

2.12 Capital expenditure details

The following three tables present details of the Municipality's capital expenditure programme, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets.

Table 52 MBRR SA 34a - Capital expenditure on new assets by asset class

NC072 Umsobomvu - Supporting Table SA34a Capital expenditure on new assets by asset class

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand	1									
Capital expenditure on new assets by Asset Class/Sub-class										
Infrastructure		68 102	6 924	27 468	105 947	65 947	65 947	61 857	47 302	54 129
Infrastructure - Road transport		7 331	-	-	-	-	-	1 000	-	-
Roads, Pavements & Bridges		7 331						1 000		
Storm water										
Infrastructure - Electricity		6 373	5 062	137	61 170	21 170	21 170	3 300	3 000	2 000
Generation										
Transmission & Reticulation		6 373	5 062	137	61 170	21 170	21 170	3 300	3 000	2 000
Street Lighting										
Infrastructure - Water		15 568	689	26 456	44 777	44 777	44 777	57 557	44 302	52 129
Dams & Reservoirs										
Water purification		15 568	689	26 456				57 557	44 302	52 129
Reticulation					44 777	44 777	44 777			
Infrastructure - Sanitation		35 234	-	-	-	-	-	-	-	-
Reticulation										
Sewerage purification		35 234								
Infrastructure - Other		3 596	1 173	876	-	-	-	-	-	-
Waste Management				438						
Transportation	2									
Gas										
Other	3	3 596	1 173	438						
Community		1 183	14	-	-	-	-	-	-	-
Parks & gardens										
Sportsfields & stadia		346	14							
Swimming pools										
Community halls										
Libraries										
Recreational facilities										
Fire, safety & emergency		795								
Security and policing										
Buses	7									
Clinics		43								
Museums & Art Galleries										
Cemeteries										
Social rental housing	8									
Other										
Heritage assets		-	-	-	-	-	-	-	-	-
Buildings										
Other	9									
Investment properties		-	0	-	-	-	-	-	-	-
Housing development			0							
Other										
Other assets		2 255	2 728	23	4 143	4 552	4 552	-	-	-
General vehicles					3 743	4 152	4 152			
Specialised vehicles		-	-	-	-	-	-	-	-	-
Plant & equipment					400	400	400			
Computers - hardware/equipment		963	2 623							
Furniture and other office equipment		758	18							
Abattoirs										
Markets										
Civic Land and Buildings		534	87							
Other Buildings				23						
Other Land										
Surplus Assets - (Investment or Inventory)										
Other										
Agricultural assets		-	-	-	-	-	-	-	-	-

Table 53 MBRR SA34b - Capital expenditure on the renewal of existing assets by asset class

None

Table 54 MBRR SA34c - Repairs and maintenance expenditure by asset class

NC072 Umsobomvu - Supporting Table SA34c Repairs and maintenance expenditure by asset class

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand	1									
Repairs and maintenance expenditure by Asset Class/Sub-class										
Infrastructure		118	610	1 222	1 201	1 170	1 170	2 162	2 297	2 440
Infrastructure - Road transport		118	390	443	515	484	484	763	802	842
Roads, Pavements & Bridges		5	350	253	265	265	265	273	286	301
Storm water		113	40	190	250	219	219	491	515	541
Infrastructure - Electricity		-	-	478	381	381	381	859	928	1 002
Generation				58						
Transmission & Reticulation				368	55	55	55	558	603	651
Street Lighting				53	326	326	326	301	325	351
Infrastructure - Water		-	220	260	273	273	273	341	359	377
Dams & Reservoirs										
Water purification			70	50	53	53	53	110	115	121
Reticulation			150	210	221	221	221	232	243	256
Infrastructure - Sanitation		-	-	41	32	32	32	114	120	126
Reticulation				30	32	32	32	114	120	126
Sewerage purification				11						
Infrastructure - Other		-	-	-	-	-	-	85	89	93
Waste Management								85	89	93
Transportation	2									
Gas										
Other	3									
Community		-	96	939	267	-	273	384	426	450
Parks & gardens				64	67		76	73	96	101
Sportsfields & stadia										
Swimming pools			82	152	160		160	156	168	178
Community halls				5	5		4	4	4	4
Libraries										
Recreational facilities										
Fire, safety & emergency								109	114	120
Security and policing										
Buses	7									
Clinics										
Museums & Art Galleries			4	21	22		22	9	9	10
Cemeteries			10	12	13		11	33	35	37
Social rental housing	8									
Other				685						
Heritage assets		-	-	-	-	-	-	-	-	-
Buildings										
Other	9									
Investment properties		-	-	-	-	-	-	-	-	-
Housing development										
Other										
Other assets		1 163	580	-	798	866	866	180	194	209
General vehicles		111	194		509	507	507	46	49	52
Specialised vehicles		-	-	-	-	-	-	71	75	79
Plant & equipment		21	50		126	121	121			
Computers - hardware/equipment		30	57		44	64	64			
Furniture and other office equipment		19	31		46	85	85	11	12	13
Abattoirs										
Markets										
Civic Land and Buildings					37	57	57	50	56	63
Other Buildings		10	12		35	32	32	2	2	2
Other Land										
Surplus Assets - (Investment or Inventory)										
Other		971	236							
Agricultural assets		-	-	-	-	-	-	-	-	-
List sub-class										

Table 55 MBRR SA36 - Detailed capital budget per municipal vote

NC072 Umsobomvu - Supporting Table SA36 Detailed capital budget

Municipal Vote/Capital project	Ref	Program/Project description	Project number	IDP Goal code 2	Individually Approved (Yes/No)	Asset Class	Asset Sub-Class	GPS co-ordinates	Total Project Estimate	Prior year outcomes		2012/13 Medium Term Revenue & Expenditure Framework			Project information	
										Audited Outcome 2010/11	Current Year 2011/12 Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15	Ward location	New or renewal
R thousand	4				6	3	3	5								
Parent municipality: List all capital projects grouped by Municipal Vote																
Electricity -		Electrification Ouboks	EL 2.2.1	EL2	Yes	Infrastructure - Electricity	Reticulation	30 42 00"S - 25 07' 10"E	3 300			3 300	3 000	2 000		1 New
Water		Bulk Water supply	W1.3	w1.1.1	Yes	Infrastructure - Water	Water purification	31 21' 00"E - 24 56' 00"	44 000			44 000	30 000	52 129	Total area	New
Water		Upgrading of WTW Colesberg	W1	w1.3.1	Yes							13 557	14 302			1 New
Roads		Stormwater drainage	RS1	RS1	No	Infrastructure - Sanitation Infrastructure - Road transport	Sewerage purification Storm water		1 000			1 000				2 New
Parent Capital expenditure	1											61 857	47 382	54 129		
Entities: List all capital projects grouped by Entity																
Entity A Water project A																
Entity B Electricity project B																
Entity Capital expenditure										-	-	-	-	-		
Total Capital expenditure										-	-	61 857	47 382	54 129		

Table 56 MBRR SA37 - Projects delayed from previous financial year

None

2.13 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality's website.
2. Internship programme
The Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department. Of the five interns one has been appointed permanently from May 2010. The remaining four have completed their two year contract on 5 August 2011, and extension for one year has been granted by National Treasury.
3. Budget and Treasury Office
The Budget and Treasury Office has been established in accordance with the MFMA.
4. Audit Committee
An Audit Committee has been established and is fully functional.
5. Service Delivery and Implementation Plan
The detail SDBIP document is at a draft stage and will be finalised after approval of the 2011/12 MTREF in May 2012 directly aligned and informed by the 2012/13 MTREF.
6. Annual Report
Annual report is compiled in terms of the MFMA and National Treasury requirements.
7. MFMA Training
The MFMA training module in electronic format is presented at the Municipality's internal centre and training is ongoing.
8. Policies
An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

2.1.4 Other supporting documents

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand										
REVENUE ITEMS:										
Property rates	6	3 176	3 581	3 820	3 727	3 916	3 916	4 152	4 363	4 586
Total Property Rates										
less Revenue Foregone										
Net Property Rates		3 176	3 581	3 820	3 727	3 916	3 916	4 152	4 363	4 586
Service charges - electricity revenue	6	9 120	12 942	14 288	18 520	17 962	17 962	19 865	21 057	22 320
Total Service charges - electricity revenue										
less Revenue Foregone										
Net Service charges - electricity revenue		9 120	12 942	14 288	18 520	17 962	17 962	19 865	21 057	22 320
Service charges - water revenue	6	5 426	7 344	19 644	7 717	7 688	7 688	8 103	8 516	8 951
Total Service charges - water revenue										
less Revenue Foregone										
Net Service charges - water revenue		5 426	7 344	19 644	7 717	7 688	7 688	8 103	8 516	8 951
Service charges - sanitation revenue		4 295	4 821	5 062	5 077	5 395	5 395	5 712	6 003	6 310
Total Service charges - sanitation revenue										
less Revenue Foregone										
Net Service charges - sanitation revenue		4 295	4 821	5 062	5 077	5 395	5 395	5 712	6 003	6 310
Service charges - refuse revenue	6	3 216	3 955	4 123	4 133	4 376	4 376	4 639	4 894	5 323
Total refuse removal revenue										
Total landfill revenue					4					
less Revenue Foregone										
Net Service charges - refuse revenue		3 216	3 955	4 123	4 137	4 376	4 376	4 639	4 894	5 323
Other Revenue by source		87	388	2 516	151					
Service charges - other					43					
Rental of facilities and equipment					51					
Interest earned - external investments					958					
Interest earned - outstanding debtors										
Dividends received					2 109					
Fines					282					
Licences and permits										
Agency services										
Transfers recognised - operational										
Total 'Other' Revenue	3	87	388	2 516	3 993	-	-	-	-	-
EXPENDITURE ITEMS:										
Employee related costs	2	12 678	14 898	16 507	20 380	20 464	20 465	22 418	23 570	24 810
Basic Salaries and Wages		2 146	2 549	2 942	2 986	2 982	2 982	3 076	3 883	4 110
Pension and UIF Contributions		1 672	1 148	1 280	571	592	592	929	984	1 044
Medical Aid Contributions		80	648	853	741	831	831	795	814	861
Performance Bonus		829		1 704	1 704	1 714	1 714	1 784	1 874	1 971
Motor Vehicle Allowance		935	1 060	1 074	368	496	496	510	688	715
Cellphone Allowance										
Housing Allowances			67		21	50	49	53	56	59
Other benefits and allowances			635		377	355	355	352	370	388
Payments in lieu of leave			506	540						
Long service awards										
Post-retirement benefit obligations										
sub-total	4	18 340	20 876	23 887	27 148	27 483	27 483	30 516	32 240	33 959
Less: Employees costs capitalised to PPE	5									
Total Employee related costs	1	18 340	20 876	23 887	27 148	27 483	27 483	30 516	32 240	33 959
Contributions recognised - capital										
Total Contributions recognised - capital										
Depreciation & asset impairment		14 223	27 572	28 018		1 137	1 137	931	917	1 032
Depreciation of Property, Plant & Equipment										
Lease amortisation										
Capital asset impairment		4 888	5 103	5 403	4 704	4 968	4 968	2 727	2 918	3 099
Depreciation resulting from revaluation of PPE	10									
Total Depreciation & asset impairment	1	19 111	32 675	33 421	4 704	6 104	6 104	3 657	3 835	4 132
Bulk purchases		7 024	8 270	10 811	13 117	13 117	13 117	15 216	16 898	19 179
Electricity Bulk Purchases		294	134	200	2 810	281	281	309	333	360
Water Bulk Purchases	1	7 318	8 404	11 011	15 927	13 398	13 398	15 524	17 231	19 539
Transfers and grants				2 826						
Cash transfers and grants										
Non-cash transfers and grants										
Total transfers and grants	1			2 826						
Contracted services		337	475	673	611	611	611	634	666	700
List services provided by contract										
sub-total	1	337	475	673	611	611	611	652	686	721
Allocations to organs of state:										
Electricity										
Water										
Sanitation										
Other										
Total contracted services		337	475	673	611	611	611	652	686	721
Other Expenditure By Type		1 512	874		29	29	29	80	82	85
Collection costs					300	300	300	350	300	300
Contributions to 'other' provisions		604	635	1 637	1 418	1 418	1 418	1 503	1 623	1 623
Consultant fees		12 891	12 267	15 434	20 797	21 467	21 467	20 585	21 824	23 015
Audit fees	3									
General expenses										
List Other Expenditure by Type		15 007	13 776	17 071	22 543	23 213	23 213	22 518	23 829	25 023
Total 'Other' Expenditure	1									
Repairs and Maintenance	8									
Employee related costs										
Other materials										
Contracted Services		1 281	1 286	2 160	2 265	2 036	2 309	2 727	2 918	3 099
Other Expenditure										
Total Repairs and Maintenance Expenditure	9	1 281	1 286	2 160	2 265	2 036	2 309	2 727	2 918	3 099

NC072 Umsobomvu - Supporting Table SA2 Matrix Financial Performance Budget (revenue source/expenditure type and dept.)

Description	Ref	Vote 1 - Executive & Council	Vote 2 - Finance & Administration	Vote 3 - Community Services	Vote 4 - Technical Services	Total
R thousand	1					
Revenue By Source						
Property rates		4 152				4 152
Property rates - penalties & collection charges		300				300
Service charges - electricity revenue					19 865	19 865
Service charges - water revenue					8 103	8 103
Service charges - sanitation revenue					5 712	5 712
Service charges - refuse revenue				4 643		4 643
Service charges - other						-
Rental of facilities and equipment				57		57
Interest earned - external investments			10			10
Interest earned - outstanding debtors				150	1 050	1 200
Dividends received						-
Fines				1 891		1 891
Licences and permits				420		420
Agency services						-
Other revenue				358	16	374
Transfers recognised - operational		29 319	2 300	570	790	32 979
Gains on disposal of PPE						-
Total Revenue (excluding capital transfers and contributions)		33 771	2 310	8 090	35 536	79 706
Expenditure By Type						
Employee related costs		1 707	8 621	14 084	6 104	30 516
Remuneration of councillors		2 330				2 330
Debt impairment					488	488
Depreciation & asset impairment						-
Finance charges					931	931
Bulk purchases					15 197	15 197
Other materials						-
Contracted services			652			652
Transfers and grants						-
Other expenditure		11 175	5 395	4 169	8 677	29 416
Loss on disposal of PPE						-
Total Expenditure		15 212	14 668	18 253	31 397	79 530
Surplus/(Deficit)		18 559	(12 359)	(10 163)	4 139	176
Transfers recognised - capital					61 857	61 857
Contributions recognised - capital						-
Contributed assets						-
Surplus/(Deficit) after capital transfers & contributions		18 559	(12 359)	(10 163)	65 996	62 033

Table 57 MBRR Table SA3 – Supporting detail to Statement of Financial Position

NC072 Umsobomvu - Supporting Table SA3 Supporting detail to 'Budgeted Financial Position'

		2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
Description	Ref	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand										
ASSETS										
Call investment deposits										
Call deposits < 90 days			632	405	500	500	500	500	500	500
Other current investments > 90 days										
Total Call investment deposits	2	–	632	405	500	500	500	500	500	500
Consumer debtors										
Consumer debtors		35 732	57 552	43 333	47 277	47 064	47 027	50 871	54 930	59 188
Less: Provision for debt impairment			(42 730)	(25 923)	(22 191)	(39 036)	(22 229)	(37 192)	(41 251)	(45 509)
Total Consumer debtors	2	35 732	14 821	17 410	25 085	8 028	24 798	13 679	13 679	13 679
Debt impairment provision										
Balance at the beginning of the year		6 703	–	42 730	25 923		29 654	33 348	37 192	41 251
Contributions to the provision			42 835	3 944	3 731	3 694	3 694	3 844	4 059	4 258
Bad debts written off			(105)	(20 751)			–			
Balance at end of year		6 703	42 730	25 923	29 654	3 694	33 348	37 192	41 251	45 509
Property, plant and equipment (PPE)										
PPE at cost/valuation (excl. finance leases)		76 196	510 686	538 176	648 266	608 675	608 675	670 533	717 835	771 964
Leases recognised as PPE										
Less: Accumulated depreciation	3		160 075	188 093	188 278	188 463	188 463	185	185	185
Total Property, plant and equipment (PPE)	2	76 196	350 611	350 083	459 988	420 212	420 212	670 348	717 650	771 779
LIABILITIES										
Current liabilities - Borrowing										
Short term loans (other than bank overdraft)										
Current portion of long-term liabilities		969	1 213	1 288	1 400	1 400	1 400	1 419	1 308	1 335
Total Current liabilities - Borrowing		969	1 213	1 288	1 400	1 400	1 400	1 419	1 308	1 335
Trade and other payables										
Trade and other creditors		4 054	5 277	668	750	750	750	750	600	500
Unspent conditional transfers		351	6 700	7 848	2 000	2 000	2 000	2 000	2 000	1 000
VAT		4 177	9 785	8 163	2 000	2 000	2 000	2 000		
Total Trade and other payables	2	8 582	21 762	16 680	4 750	4 750	4 750	4 750	2 600	1 500
Non current liabilities - Borrowing										
Borrowing	4	2 391	1 586	323	5 621	5 621	5 621	5 263	5 263	5 263
Finance leases (including PPP asset element)										
Total Non current liabilities - Borrowing		2 391	1 586	323	5 621	5 621	5 621	5 263	5 263	5 263
Provisions - non-current										
Retirement benefits		5 494	6 781	5 912	6 000	6 000	6 000	6 200	6 400	6 600
List other major provision items										
Refuse landfill site rehabilitation		7 172	7 172	7 675	450	450	450	500	550	600
Other										
Total Provisions - non-current		12 666	13 953	13 587	6 450	6 450	6 450	6 700	6 950	7 200
CHANGES IN NET ASSETS										
Accumulated Surplus/(Deficit)										
Accumulated Surplus/(Deficit) - opening balance			35 029	–	331 452	441 542	512 043	582 544	644 577	644 577
GRAP adjustments		336 054	336 054	328 864						
Restated balance		336 054	371 082	328 864	331 452	441 542	512 043	582 544	644 577	644 577
Surplus/(Deficit)		64	(35 112)	2 157	110 090	70 501	70 501	62 033	47 576	53 859
Appropriations to Reserves			8 667	431						
Transfers from Reserves										
Depreciation offsets										
Other adjustments										
Accumulated Surplus/(Deficit)	1	336 118	344 638	331 452	441 542	512 043	582 544	644 577	692 153	698 436
Reserves										
Housing Development Fund										
Capital replacement										
Self-insurance										
Other reserves										
Revaluation										
Total Reserves	2	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	2	336 118	344 638	331 452	441 542	512 043	582 544	644 577	692 153	698 436

Table 58 MBRR Table SA9 – Social, economic and demographic statistics and assumptions

NC072 Umsobomvu - Supporting Table SA9 Social, economic and demographic statistics and assumptions												
Description of economic indicator	Ref.	Basis of calculation	1996 Census	2001 Census	2007 Survey	2008/9	2009/10	2010/11	Current Year 2011/12	2012/13 Medium Term Revenue & Expenditure Framework		
						Outcome	Outcome	Outcome	Original Budget	Outcome	Outcome	Outcome
Demographics												
Population		Not available										
Females aged 5 - 14												
Males aged 5 - 14												
Females aged 15 - 34												
Males aged 15 - 34												
Unemployment												
Monthly household income (no. of households)	1, 12											
No income		STATSA		3 628	2 290	2 290	2 290	2 290	2 290	2 290	2 290	2 290
R1 - R1 600				1 321	1 860	1 860	1 860	1 860	1 860	1 860	1 860	1 860
R1 601 - R3 200				168	139	139	139	139	139	139	139	139
R3 201 - R6 400				105	168	168	168	168	168	168	168	168
R6 401 - R12 800				42	110	110	110	110	110	110	110	110
R12 801 - R25 600				12	90	90	90	90	90	90	90	90
R25 601 - R51 200				5	31	31	31	31	31	31	31	31
R52 201 - R102 400				5	11	11	11	11	11	11	11	11
R102 401 - R204 800				1	9	9	9	9	9	9	9	9
R204 801 - R409 600												
R409 601 - R819 200												
> R819 200												
Poverty profiles (no. of households)												
< R2 060 per household per month	13			4 949	4151.00	4151.00	4151.00	4151.00	4151.00	4401.00	4651.00	4901.00
Insert description	2											
Household/demographics (000)												
Number of people in municipal area		STATSA	25 389	23 641	21 992	21 992	21 992	21 992	23 636	23 636	23 636	23 636
Number of poor people in municipal area				22 271					10 347	10 347	10 347	10 347
Number of households in municipal area				5 563	5 563	5 563	5 563	5 563	6	6	6	6
Number of poor households in municipal area				4 949	4 151	4 151	4 151	4 151	3	3	3	3
Definition of poor household (R per month)				600	1 600	1 800	1 800	1 800	1 800	1 800	1 800	1 800
Housing statistics	3											
Formal		STATSA							4 723	4 973	5 223	5 473
Informal		STATSA	968	968	840	840	840	840	840	590	250	-
Total number of households			968	968	840	840	840	840	5 563	5 563	5 473	5 473
Dwellings provided by municipality	4	STATSA							1 000	250	250	250
Dwellings provided by province/s		STATSA										
Dwellings provided by private sector	5	STATSA										
Total new housing dwellings			-	-	-	-	-	-	1 000	250	250	250
Economic	6											
Inflation/inflation outlook (CPIX)												
Interest rate - borrowing									10.0%	10.0%	10.0%	10.0%
Interest rate - investment									3.0%	3.0%	3.0%	3.0%
Remuneration increases									6.0%	6.0%	6.0%	6.0%
Consumption growth (electricity)									-2.0%	-2.0%	2.0%	4.0%
Consumption growth (water)									5.0%	7.0%	5.0%	5.0%
Collection rates	7											
Property tax/service charges						80.0%	80.0%	80.0%	85.0%	85.0%	85.0%	85.0%
Rental of facilities & equipment						100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Interest - external investments						100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Interest - debtors						20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Revenue from agency services												

Detail on the provision of municipal services for A10														
Total municipal services			2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework					
	Ref.		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15			
		Household service targets (000)												
		Water:												
		Piped water inside dwelling	2 663	3	3	3	3	3	4 399	4 799	5 049			
		Piped water inside yard (but not in dwelling)	2 304	2	3	3	3	3	3 104	3 404	3 404			
	8	Using public tap (at least min.service level)	227						270	270	270			
	10	Other water supply (at least min.service level)												
		Minimum Service Level and Above sub-total	5 194	5	6	6	6	6	7 773	8 473	8 723			
	9	Using public tap (< min.service level)												
	10	Other water supply (< min.service level)												
		No water supply												
		Below Minimum Service Level sub-total	-	-	-	-	-	-	-	-	-			
		Total number of households	5 194	5	6	6	6	6	7 773	8 473	8 723			
		Sanitation/sewerage:												
		Flush toilet (connected to sewerage)	3	3	4	3 976	5 102	5 102	7 049	7 449	7 699			
		Flush toilet (with septic tank)			1	112	112	112	112	112	112			
		Chemical toilet												
		Pit toilet (ventilated)		1		612	612	612	612	612	612			
		Other toilet provisions (> min.service level)												
		Minimum Service Level and Above sub-total	3	4	5	4 700	5 826	5 826	7 773	8 173	8 423			
		Bucket toilet	1	1	1	1 169	43	43	43	-	-			
		Other toilet provisions (< min.service level)												
		No toilet provisions												
		Below Minimum Service Level sub-total	1	1	1	1 169	43	43	43	-	-			
		Total number of households	4	5	6	5 869	5 869	5 869	7 816	8 173	8 423			
		Energy:												
		Electricity (at least min.service level)	3	3	3	2 822	2 822	2 822	2 822	2 822	2 822			
		Electricity - prepaid (min.service level)	2	2	3	3 042	3 042	3 042	4 951	5 351	5 601			
		Minimum Service Level and Above sub-total	5	5	6	5 864	5 864	5 864	7 773	8 173	8 423			
		Electricity (< min.service level)												
		Electricity - prepaid (< min. service level)												
		Other energy sources												
		Below Minimum Service Level sub-total	-	-	-	-	-	-	-	-	-			
		Total number of households	5	5	6	5 864	5 864	5 864	7 773	8 173	8 423			
		Removed at least once a week	5	5	6	5 857	5 857	5 857	7 773	8 173	8 173			
		Minimum Service Level and Above sub-total	5	5	6	5 857	5 857	5 857	7 773	8 173	8 173			
		Removed less frequently than once a week												
		Using communal refuse dump												
		Using own refuse dump												
		Other rubbish disposal												
		No rubbish disposal												
		Below Minimum Service Level sub-total	-	-	-	-	-	-	-	-	-			
		Total number of households	5	5	6	5 857	5 857	5 857	7 773	8 173	8 173			

Municipal in-house services														
Municipal in-house services			2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework					
	Ref.		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15			
		Household service targets (000)												
		Water:												
		Piped water inside dwelling	2 663	3	3	3	3	3	4 399	4 799	5 049			
		Piped water inside yard (but not in dwelling)	2 304	2	3	3	3	3	3 104	3 404	3 404			
	8	Using public tap (at least min.service level)	227						270	270	270			
	10	Other water supply (at least min.service level)												
		Minimum Service Level and Above sub-total	5 194	5	6	6	6	6	7 773	8 473	8 723			
	9	Using public tap (< min.service level)												
	10	Other water supply (< min.service level)												
		No water supply												
		Below Minimum Service Level sub-total	-	-	-	-	-	-	-	-	-			
		Total number of households	5 194	5	6	6	6	6	7 773	8 473	8 723			
		Sanitation/sewerage:												
		Flush toilet (connected to sewerage)	3	3	4	3 976	5 102	5 102	7 049	7 449	7 699			
		Flush toilet (with septic tank)			1	112	112	112	112	112	112			
		Chemical toilet												
		Pit toilet (ventilated)		1		612	612	612	612	612	612			
		Other toilet provisions (> min.service level)												
		Minimum Service Level and Above sub-total	3	4	5	4 700	5 826	5 826	7 773	8 173	8 423			
		Bucket toilet	1	1	1	1 169	43	43	43	-	-			
		Other toilet provisions (< min.service level)												
		No toilet provisions												
		Below Minimum Service Level sub-total	1	1	1	1 169	43	43	43	-	-			
		Total number of households	4	5	6	5 869	5 869	5 869	7 773	8 173	8 423			
		Energy:												
		Electricity (at least min.service level)	3	3	3	2 822	2 822	2 822	2 822	2 822	2 822			
		Electricity - prepaid (min.service level)	2	2	3	3 042	3 042	3 042	4 951	5 351	5 601			
		Minimum Service Level and Above sub-total	5	5	6	5 864	5 864	5 864	7 773	8 173	8 423			
		Electricity (< min.service level)												
		Electricity - prepaid (< min. service level)												
		Other energy sources												
		Below Minimum Service Level sub-total	-	-	-	-	-	-	-	-	-			
		Total number of households	5	5	6	5 864	5 864	5 864	7 773	8 173	8 423			
		Removed at least once a week	5	5	6	5 857	5 857	5 857	7 773	8 173	8 173			
		Minimum Service Level and Above sub-total	5	5	6	5 857	5 857	5 857	7 773	8 173	8 173			
		Removed less frequently than once a week												
		Using communal refuse dump												
		Using own refuse dump												
		Other rubbish disposal												
		No rubbish disposal												
		Below Minimum Service Level sub-total	-	-	-	-	-	-	-	-	-			
		Total number of households	5	5	6	5 857	5 857	5 857	7 773	8 173	8 173			

Table 59 MBRR SA32 – List of external mechanisms

None

2.14 Municipal manager's quality certificate

I, municipal manager of Umsobomvu Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name _____

Municipal manager of Umsobomvu Municipality (NC072)

Signature _____

Date _____